

2022

University of Maine System

Annual Financial Report

The University of Maine System is a Component Unit of the State of Maine

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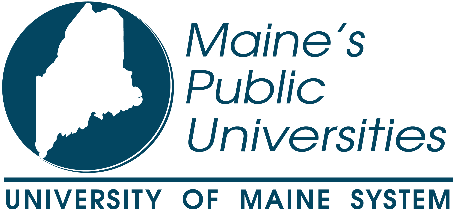
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October 14, 2022

Last year at this time, we were still unsure of the future of the global pandemic which had impacted higher education in profound ways. I am immensely proud of how the University of Maine System has navigated the numerous challenges posed by the pandemic through its universities and the Maine School of Law. The true north that directed us through this storm was our commitment to delivering on our mission of education, research, and our public service offering.

Fiscal year 2022 has seen a return to more in-person activities and the sights and sounds of a bustling campus. Faculty, staff, and students have been resilient and found creative ways to come together to work, learn, and advance research to support the needs of the state of Maine. Over 5,000 students graduated from our universities and the Maine School of Law in May, with the opportunity to experience in-person commencement ceremonies for the first time in three years.

Although we have seen a slight decline in enrollments consistent with other institutions of higher education, we are ahead of the fold with enrollment dips that are less than the national average. We have also seen growth in areas such as graduate studies, online education, accelerated adult-focused programming, and we continue to add programming designed with changing demographics and the agile learner in mind. Further, our unified accreditation allows us to collaborate and share resources in new and innovative ways to meet the demands of our learners. At the heart of each decision is the student experience and providing access to quality education, research and innovation, and workforce development to the residents of Maine and beyond.

During 2022, the prestigious Carnegie Classification of Institutions of Higher Education designated the University of Maine (UM) as an R1 university, the highest possible tier a doctoral research university can achieve in the Carnegie Classification. This designation acknowledges the very high research activity that UM has achieved with its research and development expenditures and external funding reaching all time highs.

Significant progress has already been made in the initial stages of UMS TRANSFORMS, the initiative made possible by the historic $240 million investment from the Harold Alfond Foundation that focuses on the transformational change of student success and retention, athletics programs and facilities, the creation of a multi-university College of Engineering, Computing and Information Science, and expansion of the Maine Graduate and Professional Center. By leveraging Alfond funds to secure an additional $170 million in matching funds over the next ten years, the $410 million total investment in our public university system will offer unparalleled opportunities for all of our institutions including improving diversity, equity, and inclusion.

We have also been fortunate to receive funds from Governor Mills’ Maine Jobs and Recovery Plan and the State of Maine allocation from the federal American Rescue Plan for critical investments in workforce infrastructure and economic recovery— by expanding, among other things, student opportunities for exploratory learning and paid internships connecting graduates to the Maine workforce. Further, UMS has been the recipient of $19.5 million in Congressionally Directed Spending for various workforce initiatives with a substantial $10 million for UM’s Factory of the Future. Additionally, $25 million was appropriated for this project through the FY22 Defense Appropriations bill, bringing the total current federal investment toward the construction of that new facility to $35 million.

Federal earmarks such as these, State funding from Governor Mill’s administration, the generous Alfond gift, numerous other philanthropic gifts, and public-private partnerships are enabling the critical investments needed in our capital infrastructure. Academic, athletic, and residential building projects are in various stages from planning to nearing completion. We are also considering necessary building removal projects that will allow campuses to reduce their footprint and mitigate deferred maintenance issues. Such progress has been made while holding in-state tuition rates flat for Maine students for the eighth time in 10 years. Our stewardship of university resources paired with these munificent external funding sources makes it possible to keep public higher education affordable and accessible to Maine families.

Thank you.

Chancellor Dannel P. Malloy's signature

Dannel P. Malloy

Chancellor

***UNIVERSITY OF MAINE SYSTEM***

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AS OF JUNE 30, 2022

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**INDEPENDENT AUDITORS’ REPORT**

Board of Trustees

University of Maine System

Orono, Maine

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Maine System (the System) (a component unit of the state of Maine), as of and for the years ended June 30, 2022 and 2021 for the business-type activities and the aggregate remaining fund information, and as of and for the six month period and year ended December 31, 2021 and June 30, 2021, respectively for the discretely presented component unit, and the related notes to the financial statements, which collectively comprise the System’s basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the System, as of June 30, 2022 and 2021 for the business-type activity and the aggregate remaining fund information, and as of December 31, 2021 and June 30, 2021 for the discretely presented component unit, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended for the business-type activities and the aggregate remaining fund information, and the six month period and year then ended for the discretely presented component unit, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit which statements represent 100% of asset, net assets and revenues of the discretely presented component unit as of and for the six months ended December 31, 2021, and as of and for the year ended June 30, 2021. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the reports of the other auditor.

## Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the discretely presented component unit, the University of Maine Foundation (Foundation), were not audited in accordance with *Government Auditing Standards.*

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Board of Trustees

University of Maine System

## Emphasis of Matter

As discussed in Note 2 to the financial statements, the System implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 87, *Leases*, for the year ended June 30, 2022, which represents a change in accounting principle. The System’s June 30, 2021 statement of net position and statement of revenues, expenses and changes in net position were restated to reflect the impact of adoption. A summary of the restatement is presented in Note 2. Our opinions are not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

* Exercise professional judgment and maintain professional skepticism throughout the audits.
* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
* Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of System’s internal control. Accordingly, no such opinion is expressed.

Board of Trustees

University of Maine System

* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
* Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about System’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the required supplemental information – retirement and OPEB plans, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System’s basic financial statements. The supplemental information required by the state of Maine is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental schedule required by the state of Maine is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Chancellor’s Letter and schedule of the Board of Trustees and Management, as listed in the table of contents, but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Board of Trustees

University of Maine System

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the System’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering System’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Quincy, Massachusetts

October 28, 2022

***UNIVERSITY OF MAINE SYSTEM***

MANAGEMENT’S DISCUSSION AND ANALYSIS

***JUNE 30, 2022 AND 2021 (UNAUDITED)***

The Management’s Discussion and Analysis (MD&A) provides a broad overview of the University of Maine System’s (“the System” or UMS) financial condition as of June 30, 2022 and 2021, the results of its operations for the years then ended, significant changes from the previous years, and outlook for the future where appropriate and relevant. Management has prepared the financial statements and related note disclosures along with this MD&A. The MD&A should be read in conjunction with the accompanying basic financial statements and related notes.

Mission

Established in 1968 by the Maine State Legislature, the System is the state’s largest educational enterprise, uniting its public universities in the common purpose of providing high-quality educational undergraduate and graduate opportunities that are accessible, affordable, and relevant to the needs of Maine students, businesses, and communities. The System features seven universities—some with multiple campuses—located across the state, a law school, eight outreach centers, an additional 31 course sites, and Cooperative Extension. The System carries out the traditional tripartite mission – teaching, research, and public service. A major resource for the State, the System drives economic development by conducting world-class research, commercializing valuable ideas, and partnering successfully with businesses and industries throughout Maine and beyond.

Universities, Campuses, and Centers

The System is a comprehensive public institution of higher education with over 30,000 enrolled students, supported by the efforts of 1,173 regular full-time faculty, 81 regular part-time faculty, 3,106 regular full-time staff, and 160 regular part-time staff members.

From Maine’s largest city to its rural northern borders, our universities are known for excellence in teaching and research. Our universities are:

* **The University of Maine (UM)** is the state’s land grant, sea grant and space grant university. As Maine’s flagship public university, UM has a statewide mission of teaching, research and economic development, and community engagement. UM is the state’s only R1 research university and among the most comprehensive higher education institutions in the Northeast, where undergraduate and graduate students have opportunities to participate in groundbreaking research with world-class scholars. UM offers bachelor’s, master’s and doctoral degrees.
* **The University of Maine at Augusta** **(UMA)** is the third largest public university in Maine. With campuses in Augusta and Bangor, eight UMA Centers across Maine, and expertise in online and distance learning, UMA is considered the university of choice for Mainers who want to receive a quality and affordable education without uprooting their lives.
* **The University of Maine at Farmington (UMF)** was established in 1864 as Maine’s first public institution of higher education. UMF is Maine’s nationally recognized public liberal arts college, offering quality programs in teacher education, human services, and arts and sciences.
* **The University of Maine at Fort Kent (UMFK)** is a campus focused on health sciences and professional programs. Founded in 1878 to meet local, state, and regional workforce needs, UMFK provides a diversity of learners with the education and development needed to be successful professionals and engaged members of their communities in the 21st Century.
* **The University of Maine at Machias (UMM)**, the easternmost university in the nation, is the regional campus of the University of Maine. It offers quality baccalaureate programs with an emphasis on experiential and community-engaged learning. The distinct UMM campus environment and strong regional identity are enhanced by a partnership with the state’s R1 flagship university.
* **The University of Maine at Presque Isle (UMPI)** is a nationally recognized institution of innovation and opportunity, providing students with an affordable and personalized education, a caring, small-university environment, and life-changing experiences that prepare them to be career-ready graduates. Established in 1903, UMPI offers bachelor’s, associate’s, online, and competency-based education degree programs, and one master’s degree program.
* **The University of Southern Maine (USM)** is northern New England’s outstanding public, regional, comprehensive university, dedicated to providing students with a high-quality, accessible, affordable education. From campuses in Portland, Gorham, and Lewiston-Auburn, USM offers baccalaureate, master’s, and doctoral programs.
* **The University of Maine School of Law (Maine Law)**, a free-standing institution within the System and located in Portland, is committed to justice and leadership in a changing world. As the state’s public and only law school, Maine Law provides an accessible and affordable student-focused program of legal education through a rigorous doctrinal and experiential curriculum.

Student Enrollment

Chart 1 shows student enrollment, including early college, on a headcount basis with 30,139 students enrolled for the fall 2021 semester, up 1.5% from fall 2020 and up 3.9% since fall 2017. For fall 2021, 61% of the student population were enrolled full-time, down from 63% in fall 2020.

Chart 2 and Table 1 show student enrollment, including early college, on a full-time equivalent (FTE) basis with 21,535 FTE students enrolled for the fall 2021 semester, down 0.4% from fall 2020 and down 1.3% from fall 2017. For fall 2021, 71% of FTE enrollments were from Maine residents compared to 73% for fall 2020.

**Table 1: Student FTE Enrollment**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **% Change  Fall 2017  to 2021** | **Fall 2021** | **% Change** | **Fall 2020** | **% Change** | **Fall 2019** | **% Change** | **Fall 2018** | **% Change** | **Fall  2017** | **% Change** |
| UM | ***0.5%*** | **9,926** | **1.6%** | **9,773** | **-0.1%** | 9,782 | 0.3% | 9,750 | 0.3% | 9,720 | 1.3% |
| UMA | ***6.2%*** | **2,358** | **2.3%** | **2,304** | **-1.3%** | 2,335 | 3.9% | 2,247 | 3.6% | 2,169 | -10.4% |
| UMF | ***-12.4%*** | **1,437** | **-4.8%** | **1,510** | **-4.4%** | 1,579 | -3.8% | 1,641 | -4.8% | 1,723 | 0.8% |
| UMFK | ***-14.5%*** | **718** | **-11.6%** | **812** | **-3.6%** | 842 | -11.7% | 954 | 0.4% | 950 | -9.7% |
| UMM | ***-12.2%*** | **381** | **-4.2%** | **397** | **-1.5%** | 403 | -5.2% | 425 | -6.0% | 452 | -8.1% |
| UMPI | ***4.7%*** | **1,038** | **9.9%** | **945** | **9.9%** | 860 | -7.8% | 933 | 3.3% | 903 | 2.0% |
| USM | ***-1.9%*** | **5,428** | **0.2%** | **5,633** | **-2.6%** | 5,879 | -1.2% | 5,836 | 2.0% | 5,666 | 3.8% |
| LAW | ***6.7%*** | **249** | **2.2%** | **244** | **0.0%** | 244 | -1.1% | 247 | 7.9% | 229 | -0.3% |
| **Total** | ***-0.2%*** | **21,535** | ***-0.5%*** | **21,618** | **0.1%** | 21,924 | -1.0% | 22,033 | 0.7% | 21,812 | -0.2% |

Student Comprehensive Cost of Education

Net student fee revenue, totaling $263 million in FY22 and $238 million in FY21, is the System’s greatest source of revenue, contributing 33% of total operating and net nonoperating revenues for FY22. Net student fees represented 32% of the total operating and net nonoperating revenues for FY21. Such revenues are impacted by enrollment levels; tuition, room and board, and fee levels; and the amount of scholarship allowances provided to students.

The average comprehensive cost of education (tuition, mandatory fees, and room and board) for UMS undergraduate, graduate, and law school students is shown in Table 2. The percentage changes for the comprehensive cost of education in FY22 range from an increase of 3.6% for in-state, out-of-state, and Canadian undergraduate students to an increase of 6.7% for in-state law students. Percentage changes in FY21 ranged from an increase of 3.2% for out-of-state and NEBHE undergraduate students, down to a decrease of 20.3% for Canadian graduate students.

The FY22 in-state undergraduate tuition increased at UM and UMM, by 26.0% and 15.1% respectively, which includes the revenue neutral “roll-up” of the mandatory fees into the tuition rate. The overall System-wide average comprehensive cost of education for this same category of students increased 3.6%. In FY21, the System increased tuition for in-state undergraduate students by a system-wide average of 2.5% where the overall average comprehensive cost of education for this same category of students increased 3.0%.

**Table 2: Student Comprehensive Cost of Education**

**Tuition, Mandatory Fees, and Room and Board Fiscal Year Averages**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2022** |  | **2021** |  | 2020 |  | 2019 |  | 2018 |  |
|  | **Cost** | % Change | **Cost** | % Change | Cost | % Change | Cost | % Change | Cost | % Change |
| **Undergraduate:** |  |  |  |  |  |  |  |  |  |  |
| In-State | **$19,548** | 3.6% | **$18,877** | 3.0% | $18,321 | 2.8% | $17,819 | 1.7% | $17,520 | 2.7% |
| Out-of-State | **30,399** | 3.6% | **29,337** | 3.2% | 28,425 | 2.2% | 27,809 | 0.4% | 27,707 | 2.9% |
| NEBHE | **25,109** | 4.7% | **23,979** | 3.2% | 23,229 | 2.8% | 22,593 | 2.6% | 22,015 | 4.6% |
| Canadian | **19,548** | 3.6% | **18,877** | -18.7% | 23,229 | 2.8% | 22,593 | 2.5% | 22,045 | 4.6% |
| **Graduate:** |  |  |  |  |  |  |  |  |  |  |
| In-State | **$19,524** | 4.5% | **$18,683** | 2.3% | $18,262 | 1.0% | $18,081 | 3.3% | $17,501 | 2.3% |
| Out-of-State | **28,470** | 4.5% | **27,251** | -8.9% | 29,902 | 2.0% | 29,313 | 3.1% | 28,427 | 2.7% |
| NEBHE | **25,604** | 6.3% | **24,097** | 2.2% | 23,578 | 2.6% | 22,983 | 2.8% | 22,350 | 4.0% |
| Canadian | **19,524** | 3.9% | **18,787** | -20.3% | 23,578 | 2.6% | 22,983 | 2.8% | 22,350 | 4.0% |
| **Law School:** |  |  |  |  |  |  |  |  |  |  |
| In-State | **$35,555** | 6.7% | **$33,310** | 0.9% | $33,005 | 0.8% | $32,740 | 0.9% | $32,460 | 0.1% |
| Out-of-State | **47,045** | 5.0% | **44,800** | 0.7% | 44,495 | 1.6% | 43,810 | 0.6% | 43,530 | 0.1% |
| NEBHE/Canadian | **44,015** | 5.4% | **41,770** | 0.7% | 41,465 | 1.5% | 40,870 | 0.7% | 40,590 | 0.1% |

*Note: Some amounts presented in the above Table 2 for 2019 differ from FY2019’s MD&A and are based upon restated amounts included in the System report titled, ‘Student Charges FY2020’.*

Overview of the Financial Statements

This discussion and analysis is an introduction to the System’s financial statements which are prepared in accordance with U.S. generally accepted accounting principles and are comprised of four components: 1) system-wide financial statements, 2) component unit financial statements, 3) fiduciary funds financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The University of Maine Foundation is a legally separate tax-exempt component unit of the System. This entity’s financial position and activities are discretely presented in the System’s financial statements as required by Governmental Accounting Standards Board (GASB) statements*.* This MD&A includes information only for the System, not its component unit.

***System-wide Financial Statements***

These financial statements report information about the System’s assets, liabilities, deferred inflows and outflows, net position, revenues, and expenses and are comprised of the following:

* Statements of Net Position
* Statements of Revenues, Expenses, and Changes in Net Position
* Statements of Cash Flows

***Fiduciary Funds Financial Statements***

These financial statements include information about assets held by the System on behalf of other entities as a trustee or fiduciary. The System is responsible for ensuring such assets are used only for their intended purposes and by those to whom the assets belong. Included in these fiduciary financial statements are investments held on behalf of the System’s pension and other postemployment benefit trusts, monies invested by external parties in the System’s managed investment and endowment pools, and cash held on behalf of various student government groups.

The fiduciary funds financial statements are comprised of the following:

* Statements of Fiduciary Net Position
* Statements of Changes in Fiduciary Net Position

***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the system-wide and fiduciary funds financial statements.

***Other Information***

This report also provides certain required supplementary information related to the System’s retirement and other postemployment benefit plans and a Schedule of Activities required by the State of Maine.

Statements of Net Position

The Statements of Net Position present the financial position of the System at one point in time – June 30 – and include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the System. These statements are the primary statements used to report financial condition. Net position represents the residual interest in the System’s assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. Table 3 on page 19 shows Condensed Statements of Net Position for the past five years.

Restatement of Prior Year

The FY21 financial statements have been restated to reflect adoption of GASB Statement No. 87, Leases. The overall impact on the FY21 data in the Condensed Statements of Net Position is that:

* Notes and leases receivable, net increased $3 million
* Capital and right of use assets, net increased $13 million
* Lease liabilities increased $14 million

Postemployment Health Plan Considerations

The System’s Other Postemployment Benefits (OPEB) plan’s impact on the FY22 Statement of Net Position is primarily due to the decrease in the OPEB Trust assets.

For reporting in the System’s Condensed Statements of Net Position, the total OPEB liability/asset is netted with the value of the UMS OPEB Trust assets. At June 30, 2022, the System had a net OPEB liability of $18 million compared with a net OPEB asset of $18 million at June 30, 2021.

Other lines of the Condensed Statements of Net Position that were significantly adjusted by the FY22 actuarial results include the following:

* Deferred outflows of resources associated with the OPEB plan increased $14 million.
* Deferred inflows of resources associated with the OPEB plan decreased $24 million.

Overview of Condensed Statements of Net Position

As shown in Table 3, assets and liabilities are classified as current or noncurrent. Current assets are available to satisfy current liabilities, which in turn are those amounts expected to be payable within the next year. Total assets and deferred outflows of resources of $1.4 billion at June 30, 2022, increased $47 million, or 3% over the prior year.

The major component of current assets is operating investments, which totaled $307 million at June 30, 2022 and $286 million at June 30, 2021. Noncurrent assets consist mainly of endowment investments and capital assets, net of depreciation. Endowment investments totaled $141 million at June 30, 2022, a decrease of $25 million, or 15%, from the FY21 year-end balance of $166 million, and a $6 million, or 4%, increase from FY20. Capital and right of use assets, net of accumulated depreciation totaled $795 million and $701 million at June 30, 2022 and 2021, respectively.

Current liabilities of $171 million and $98 million at June 30, 2022 and 2021, respectively, consist primarily of accounts payable and various accrued liabilities including those for the System’s healthcare claims, defined contribution retirement plan and payroll taxes. Impacts to accounts payable and accrued liabilities include the timing of the last check cycle for the fiscal year, the level of construction activity in progress, and budget constraints.

At $216 million, total noncurrent liabilities decreased $23 million, or 10%, from June 30, 2021 to 2022. This decrease is primarily the result of a $36 million decrease in long-term debt and an increase of $18 million in accounts payable. For FY21 and FY20, the System had total noncurrent liabilities of $239 million and $280 million respectively, with the changes being a $13 million increase in lease liabilities, a $29 million increase in long-term debt and an $83 million decrease in other noncurrent liabilities.

Total net position at June 30, 2022 of $969 million increased $25 million, or 3%, from the June 30, 2021 balance, which increased $112 million, or 88%, from the June 30, 2020 balance. Additional information about net position is presented on page 25.

**Table 3: Condensed Statements of Net Position as of June 30**

**(In millions)**

Condensed Statements of Net Position as of June 30 (in millions)
 2022 % Change "Restated
2021" % Change Restated 2020 Restated 2019 2018
Current Assets       
Operating Investments  $307  7%  $286  8%  $264   $248   $252 
Other  79  -5%  84  28%  65   75   55 
Noncurrent Assets       
Endowment investments  141  -15%  166  23%  135   138   154 
Capital assets, net  798  16%  701  1%  683   685   700 
Other  36  -58%  88  93%  44   48   57 
Total Assets  1,361  4%  1,325  10%  1,191   1,194   1,218 
Deferred Outflows of Resources  32  78%  18  -42%  31   22   12 
Total Assets and Deferred Outflows  $1,393  5%  $1,343  9%  $1,222   $1,216   $1,230 
Current Liabilities       
Lease liabilities - current portion  $2  100%  $1  100%  $-   $-  
Long-term debt - current portion  56  300%  14  0%  14   15   14 
Other  113  36%  83  41%  59   59   54 
Noncurrent Liabilities       
Lease liabilities  33  154%  13  100%   
Long-term debt  96  -37%  153  23%  124   135   148 
Other  87  19%  73  -53%  156   145   180 
Total Liabilities  387  15%  337  -5%  353   354   396 
Deferred Inflows of Resources  37  -40%  62  68%  37   44   20 
Total Liabilities and Deferred Inflows  424  6%  399  2%  390   398   416 
Net investment in capital assets  589  7%  549  0%  547   542   551 
Restricted Nonexpendable  71  3%  69  3%  67   66   59 
Restricted Expendable  147  2%  144  25%  115   116   115 
Unrestricted  162  -11%  182  77%  103   94   89 
Total Net Position   969  3%  944  13%  832   818   814 
Total Liabilities, Deferred Inflows and Net Position  $1,393  4%  $1,343  10%  $1,222   $1,216   $1,230

Managed Investment Pool (MIP)

The System pools certain funds for investment purposes including the System’s endowment pool monies, endowment monies belonging to the System’s affiliated organizations, and monies on behalf of the following entities: the UMS OPEB Trust, Maine Maritime Academy (MMA) [redeemed in spring 2022], USM Osher Map Library Foundation [new member in FY22], and the University of Maine School of Law Foundation.

Chart 3 shows the June 30, 2020, 2021 and 2022 fair values of the MIP investments, including the amounts held on behalf of each entity.

‘UMS Endowments’ noted in Chart 4 is the System’s share of the MIP investments and is included as part of the ‘Endowment Investments’ noted in the accompanying Condensed Statements of Net Position. The portion of the MIP representing UMS Affiliates’ Endowments is included in the Statements of Fiduciary Net Position as ‘Investment in UMS endowment pool’. The total of the OPEB Trust, MMA, University of Southern Maine Osher Map Library Foundation and the University of Maine School of Law Foundation portions of the MIP are included in the Statements of Fiduciary Net Position as ‘Investment in UMS managed investment pool’.

The MIP investments are diversified among a number of asset classes to minimize risk while optimizing return. Chart 4 illustrates the percentage of holdings in each asset class and how they have changed over the past 5 years.

As shown in Chart 5, in FY22 the MIP realized a net of fees loss of (12.5)%, down from a return of 27.1% in FY21. The pooled investments have a 5-year annualized net of fees return of 4.3%.

Endowments (Including Affiliates)

Endowments are generally created from donor gifts or bequests with the funds invested to create present and future income with the original amount of the gift (corpus) retained in perpetuity and are considered restricted non-expendable. If the donor established criteria to determine how the expendable amounts are to be used, such amounts are considered restricted expendable. If the use of expendable amounts is left to the discretion of the System, the endowment income and appreciation are considered unrestricted.

As mentioned in the previous MIP section, the System uses a pooled investment approach for its endowments (unless otherwise specified by the donor) and the endowments of three affiliates. Affiliates investing in the endowment pool include: the University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation, and the John L. Martin Scholarship Fund, Inc.

As shown in Chart 6, the UMS and its affiliates share of these pooled endowment investments had a fair value of $168 million at June 30, 2022, a decrease of $28 million from the prior year. This included a decrease of $26 million in negative net performance less $7 million distributed for scholarships and other operating activities offset by contributions of $5 million.

The pool’s June 30, 2021 fair value of $196 million had increased $35 million from the 2020 year-end fair value of $161 million. This increase included $42 million in positive net performance less $7 million distributed for scholarships and other operating activities.

Of the $168 million in pooled endowment investments, at June 30, 2022, $138 million are UMS Endowments and $30 million are Affiliates Endowments. The fair value of the UMS Endowments is reported as part of the ‘Endowment Investments’ in the accompanying Condensed Statements of Net Position, and the fair value of the Affiliates Endowments is reported in the Statements of Fiduciary Net Position as ‘Investment in UMS endowment pool’.

The UMS endowment distribution formula is designed to smooth market volatility. The method uses a 3-year market value average with a percentage-spending rate applied. The spending rate applied in FY17 thru FY22 was 4.5%.

Capital Assets and Debt Activities

Table 4 on the next page shows the status of major capital construction projects as of June 30, 2022 and the related budget approved by the UMS Board of Trustees.

The System’s facilities are critical to each university’s mission as they provide the physical framework and environment for education, research, cultural programs, and residential life. The System continually evaluates its long-term capital and strategic needs, including which facilities to upgrade, retire, or build. Capital assets are funded with various sources of funds including state bonds, gifts, grants, educational and general funds, and System revenue bonds.

During FY22, the System had capital asset additions of $119 million, which included $114 million of construction in progress, and $5 million of equipment. In FY21, the System had capital asset additions of $50 million, which included $46 million of construction in progress and $4 million of equipment.

The System strives to manage all its financial resources effectively, including the prudent use of debt to finance construction projects that support the System’s mission. In May 2021, the System issued $43 million of bond anticipation notes (BAN) to partially finance UM’s Ferland Engineering Education and Design Center project and USM’s new residence hall project and new parking garage project both on the Portland campus. These three projects are noted in Table 4. The System issued new revenue bonds in FY23 to pay off the BAN, to refund prior debt, and to finance additional capital projects.

The System’s total outstanding debt as of June 30, 2022 was $152 million, a decrease of $15 million, or 9%, from the FY21 total debt of $167 million. In FY21, total debt increased $29 million, or 21%, from the FY20 total debt of $138 million.

**Table 4: Major Capital Projects Completed During FY22 or In Progress at June 30, 2022**

**(In millions)**

Project Funding Source Status BOT Approved Budget
UMA   
•Randall Welcome Center 2018 State Bond In Progress  2.10 
•Handley Hall HVAC System Upgrade 2018 State Bond, Educational & General In Progress  1.20 
•Katz Library HVAC Repairs HEERF In Progress  1.10 
•Medical Laboratory Technology Internal Loan, Education & General In Progress  1.65 
•Camden Hall Vet Tech Internal Loan, Education & General In Progress  1.60 
UMF   
•Dearborn Gym Hot Water Upgrades 2010 State Bond, 2018 State Bond In Progress  0.85 
•274 Front St Renovation 2018 State Bond, MJRP, Grant, Federal Earmark In Progress  3.10 
•Fitness & Recreation Center Façade Replacement 2018 State Bond In Progress  0.90 
UMFK   
•Enrollment/Advancement Center 2018 State Bond, Educational & General In Progress  3.25 
UM   
•Advanced Structures and Composites Center (ASCC) Equipment Gift, Grant In Progress  1.53 
•Darling Marine Center Waterfront Infrastructure Grants, Educational & General In Progress  5.50 
•Engineering Education and Design Center Educational & General, Gifts, 2022 Revenue Bond In Progress  78.00 
•Energy Center Phase 2 Educational & General, 2022 Revenue Bond, Grant In Progress  5.70 
•ASCC Renovation - Mezzanine Office Expansion Educational & General, Grants In Progress  1.40 
•Neville Hall Renovations 2018 State Bond In Progress  1.50 
•ASCC Green Engineering & Materials (GEM) Lab Educational & General In Progress  1.50 
•ASCC Secure Clean Lab Suite Grants In Progress  2.50 
•Steampit line SA10 Educational & General In Progress  0.64 
•HVAC Systems & Controls Upgrades Educational & General In Progress  10.00 
•UM Priority 1 Athletic Fields Gifts and HAF Grant In Progress  1.00 
•UM Adaptive Reuse Project/Historic P3 Educational & General In Progress  3.00 
USM   
•Center for the Arts Gifts In Progress  4.20 
•Career and Student Success Center 2018 State Bond, Educational & General, and Gifts In Progress  26.60 
•Portland Residence Hall Revenue Bond, Educational & General In Progress  72.80 
•Bailey Hall Fire Protection and Electrical Upgrades 2018 State Bond, Educational & General In Progress  4.39 
•Wishcamper Parking Lot Educational & General Complete  1.71 
•Portland Parking Garage Educational & General In Progress  23.00 
•Fitness Equipment Purchase and Space Renovation Educational & General In Progress  0.77 
•Steam Line Educational & General In Progress  0.60 
•Dubyak Center 2018 State Bond, MJRP In Progress  2.50 
•Hannaford Field turf Replacement Educational & General In Progress  0.90 
•Inter-Professional Education Lab Gifts In Progress  0.90 
UMPI   
•Greenhouse 2013 State bond, Gift, and MEIF Complete  0.93 
•Folsom 105 Nursing Renovation 2018 State Bond Complete  0.76 
•Wieden Renovation 2018 State Bond and Grants In Progress  7.70 
•Solar Array Education & General In Progress  1.10 
UMS   
•300 Fore St. Portland Renovation Education & General, Gifts, Grants In Progress  12.80 
•IT Infrastructure - Wireless and Classroom Technology Upgrades 2017 Revenue Bond In Progress  19.00 
•MaineStreet Upgrade 2017 Revenue Bond In Progress  2.00 
   
TOTAL    $310.68

Deferred Outflows and Inflows of Resources

The System’s deferred outflows and deferred inflows of resources primarily relate to the System’s defined benefit pension plans and its other postemployment health plan (OPEB). The total of these deferrals can fluctuate significantly from year-to-year depending on changes in assumptions used for the plans, differences between expected and actual experience, and differences between projected and actual earnings on plan investments. To smooth the impact of these changes, they are amortized over a period of years.

At June 30, 2022 deferred outflows of resources totaled $32 million, an increase of $14 million from the prior year balance of $18 million. The increase is primarily due to an increase of $14 million related to OPEB. In FY21, the System’s deferred outflows of resources decreased $13 million from the June 30, 2020 balance of $31 million, primarily due to a $13 million decrease also related to OPEB.

Deferred inflows of resources of $37 million at June 30, 2022 decreased $25 million from the $62 million at June 30, 2021. The decrease is primarily due to a decrease of $24 million related to the System’s OPEB plan. In FY21, the System’s deferred inflows of resources increased $25 million from the $37 million at June 30, 2020, primarily due to an increase of $22 million related to the System’s OPEB plan.

Net Position

As seen in the Condensed Statements of Net Position shown in Table 3 on page 19, the System’s total net position is presented by the below noted four categories.

**Net investment in capital assets** represents the historical cost of the System’s capital assets reduced by total accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets. The System’s net investment in capital assets was $589 million at June 30, 2022 and $549 million at June 30, 2021.

The FY22 increase in net investment in capital assets of $40 million was comprised of capital asset additions of $119 million less $44 million of depreciation expense, less $1 million of capital asset retirements, less an increase in debt and other liabilities of $7 million, and less a $27 million reclassification of debt from unexpended plant to invested in capital assets.

The FY21 increase in net investment in capital assets of $2 million was comprised of capital asset additions of $50 million less $44 million of depreciation expense, less $2 million of capital asset retirements, less new debt of $16 million, plus a reduction in debt of $14 million.

**Restricted-nonexpendable net position** represents the corpus of the System’s permanent endowment funds. Items that impact this category of net position include new endowment gifts and fair value fluctuations for those endowments whose fair value has fallen below the endowment corpus. The June 30, 2022 balance of $71 million increased $2 million, or 3%, over the $69 million at June 30, 2021. For FY21, restricted-nonexpendable net position increased $2 million, or 3%, from the FY20 year-end balance of $67 million.

**Restricted-expendable net position** consists of a variety of funds including unexpended gifts, quasi-endowments and appreciation on true endowments, subject to externally imposed conditions on spending. The restrictions include a variety of purposes including student financial aid, capital asset acquisitions, research, and public service. The June 30, 2022 balance of $147 million increased $3 million, or 2% from the June 30, 2021 balance of $144 million. This increase is primarily attributable to a $25 million increase in unspent restricted gift balances and a net $2 million increase from other managed restricted-expendable funds. Offsetting these increases was a $24 million decrease in the expendable portion of endowments, resulting from negative investment performance and endowment income distributed for operations.

The FY21 increase of $29 million, or 25%, is primarily attributable to $25 million of investment performance in excess of endowment income distributed for operations, plus a $2 million increase in unspent restricted gift balances, a $1 million increase in MEIF funds and a net $1 million increase from other managed restricted-expendable funds.

**Unrestricted net position** is not subject to externally imposed stipulations; however, these resources are critical for the financial stability of the UMS and have been designated by management for specific areas, including operational and capital needs, compensating for operating investment and other budget fluctuations, and benefits costs including covering the risks associated with self-insured plans. Given both the physical and financial size of the System, funds must be readily available to cover various situations including emergency and other unforeseen expenditures, strategic priorities, operating losses, over-expenditures on budgeted items, and benefits costs.

The balance of $162 million at June 30, 2022 decreased by $20 million, or 11%, from the FY21 year-end balance of $182 million. For FY21, unrestricted net position increased $79 million, or 77%, from the FY20 year-end balance of $103 million.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position reports operating revenues, operating expenses, nonoperating revenues (expenses), other changes in net position, and the resulting change in net position for the fiscal year.

Restatement of Prior Year

The FY21 financial statements have been restated to reflect a change in the reporting of revenues and expenses related to leases per the adoption of GASB 87, Leases. Revenue and expenses netting to a decrease in net position of $351 thousand have been moved in various segments of the Statements of Revenues, Expenses, and Changes in Net Position.

***Overview of Condensed Statements of Revenues, Expenses, and Changes in Net Position***

Table 5, on the next page, shows Condensed Statements of Revenues, Expenses, and Changes in Net Position for the past five fiscal years ended June 30. The FY22 net position increased $26 million while FY21 (restated) increased $112 million from FY20. Notable factors in this shift include the following:

* $62 million increase in operating revenues
* OPEB expense of $3 million compared with OPEB income of $46 million in FY21
* $82 million increase in other operating expenses
* $26 million increase in coronavirus relief funding
* $36 million decrease in investment income from operating investments
* $27 million increase in capital grants and gifts mainly related to construction of the Ferland Engineering Education and Design Center
* $55 million decrease in market returns for endowment investments
* $Net 21 million increase in various other nonoperating revenue lines

The FY21 increase in net position of $113 million was up $99 million over that for FY20. The OPEB income of $46 million was a major factor in this increase along with extremely strong market returns on operating and endowment investments.

**Table 5: Condensed Statements of Revenues, Expenses, and Changes in Net Position**

**Years Ended June 30**

**(In millions)**

 2022 "Restated
2021" Restated 2020 2019 2018
Operating Revenues     
Net student fees  $263   $239   $248   $264   $256 
Grants, contracts and recovery of indirect costs  163   136   121   113   110 
Other operating revenues  41   30   44   53   52 
Total Operating Revenues  467   405   413   430   418 
Operating Expenses  (811)  (680)  (716)  (724)  (692)
Operating Loss  (344)  (275)  (303)  (294)  (274)
Nonoperating Revenues (Expenses)     
Noncapital State of Maine appropriations  229   218   220   212   211 
Federal Pell grants  34   35   38   40   40 
Coronavirus relief funding  63   37   15   -   - 
Gifts currently expendable  20   19   19   16   14 
Endowment return used for operations  6   6   6   6   6 
Investment income (loss)  (14)  22   9   12   7 
Interest expense, net  (4)  (4)  (4)  (4)  (4)
Net Nonoperating Revenues (Expenses)  334   333   303   282   274 
Income (Loss) Before Other Changes in Net Position  (10)  58   -   (12)  - 
Other Changes in Net Position     
State of Maine capital appropriations  25   16   14   6   8 
Capital grants and gifts  35   8   3   4   4 
Endow. return, net of amount used for operations   (26)  29   (4)  (2)  3 
Other  2   1   1   8   1 
Total Other Changes in Net Position  36   54   14   16   16 
Change in Net Position  $26   $112   $14   $4   $16

Operating and Nonoperating Revenue

UMS revenues and expenses are categorized as either operating or nonoperating.

* In addition to tuition and fees, the System receives operating revenue from other sources such as governmental and privately funded grants and contracts; educational sales and services; and auxiliary enterprises.
* Certain significant recurring revenues and expenses are considered nonoperating including state noncapital appropriations, federal Pell grants, coronavirus relief funding, gifts, endowment return used for operations, investment income, and interest expense.

The following pie charts illustrate the total operating and net nonoperating revenue sources used to fund the System’s activities for FY22 and FY21.

**Chart 7: Total Operating and Net Nonoperating Revenue**

Net Student Fees  239 32%
Grants & Contracts  119 16%
Indirect Cost Recovery  17 2%
Educ. Sales & Services/Aux. Enterprises 30 4%
Noncapital State Appropriation  218 30%
Federal Pell Grants 35 5%
Coronavirus Relief Funding 37 5%
Other Nonoperating Revenues Net  43 6%
 738 100%

Net Student Fees Revenue

Net student fees of $263 million for FY22 are the largest source of revenues used to fund operating expenses, representing 33% of total operating and net nonoperating revenues. Net student fees of $239 million for FY21 represented 32% of that year’s total operating and net nonoperating revenues.

Net student fees revenue is comprised of tuition and fees and residence and dining fees less scholarship allowances:

* Tuition and fees totaled $328 million in FY22, increasing $7 million, or 2%, from the prior year. FY21 revenues increased $2 million, or less than 1%, from FY20.
* Residence and dining fees of $65 million in FY22 were up $25 million, or 63%, compared with FY21. FY21 residence and dining fees decreased $12 million, or 23%, compared with FY20, as the COVID-19 pandemic that began in late FY20 continued to impact operations.
* Scholarship allowances totaled $130 million in FY22, increasing $8 million, or 7%, from the prior year. The FY21 scholarship allowances decreased $1 million, or less than 1%, from FY20.

Student Financial Aid

Student financial aid awards are made from a variety of sources including federal, state, private, and university funds. Funding received by the UMS from third parties is recognized as grants and contracts revenue (operating), federal Pell grants revenue (nonoperating) or gift revenue (nonoperating) on the Statements of Revenues, Expenses, and Changes in Net Position while the distribution of aid from all sources is shown as one of two components:

* + 1. Scholarship Allowances – financial aid retained by the System to cover students’ tuition, fees, and on-campus housing and meals. These amounts are reported as a direct offset to operating revenues as a component of the net student fees revenue line.
    2. Student Aid Expense – financial aid refunded to students to cover off-campus living costs, books, and other personal living expenses. These amounts are reported as operating expense.

Federal financial aid awards are based on a student’s financial need considering their total cost of education which includes tuition and fees, housing and meals (both on and off campus), books, and other personal living expenses.

During FY22, total financial aid provided to students was $188 million, increasing $26 million, or 16%, from FY21 financial aid of $162 million. This net increase includes a $1 million decrease in Pell awards, an increase of $18 million in funding from the federal Coronavirus Relief funds, $6 million increase in State of Maine Grant funds and $3 million increase in unrestricted institutional aid.

During FY21, total financial aid provided to students was $162 million, decreasing $1 million, or less than 1%, from FY20 financial aid of $163 million. The decrease includes a $3 million decrease in Pell awards and an increase of $1 million in FY21 funding from the federal Coronavirus Relief funds which were received for the first time in FY20.

Grants, Contracts, and Indirect Cost Recovery

Grants and contracts revenues are recognized to the extent of related expenses. Consequently, reported revenues will fluctuate based on the timing of expenses across fiscal years. The System receives funding from federal, state, and private sources for student aid, research and other activities with the majority of funding being provided by the federal government. State research and development funding is often used to leverage federal dollars.

Grants and contracts operating revenues totaled $140 million in FY22, increasing $21 million, or 18%, from FY21. This increase is the net change in funding from over 400 different sponsors. The largest sponsor increase was $6 million related to State of Maine funding for financial aid. The three largest federal funding increases totaled $7 million.

FY21 operating grants and contracts revenues totaled $119 million, increasing $13 million, or 12%, from FY20. This increase was the net change in funding from over 430 different sponsors. The largest single funding increase was a $1.4 million related to a corporate grant regarding innovative manufacturing techniques related to composites.

In addition to providing for direct costs, grants and contracts sponsors provide for recovery of Facilities and Administrative (F&A) costs, which are also known as indirect costs. The amount of allowable F&A costs is calculated for each grant and contract using the applicable negotiated rate subject to specific sponsor limitations and other proposal and award conditions. Recovery of indirect costs totaled $23 million for FY22, increasing $6 million from FY21. Recovery of indirect costs totaled $17 million for FY21, which was an increase $2 million from FY20.

Noncapital State of Maine Appropriations

State noncapital appropriation revenue includes amounts for general operations and amounts legislatively earmarked for research and development, financial aid, and various other areas. Although not considered operating revenue under GASB reporting requirements, the noncapital state appropriation was the second largest funding source for educational and general operations behind net student fees.

As shown in Chart 10, the System received $229 million in noncapital state appropriation revenue during FY22, up $11 million, or 5% from FY21. The System received $218 million in noncapital state appropriation revenue during FY21, down $2 million, or 0.9%, from FY20.

At $229 million, noncapital state appropriation revenue covered 66% of the $347 million operating loss in FY22, down from the operating loss coverage level of 80% in FY21.

Coronavirus Relief Funding

The coronavirus relief funding of $63 million and $37 million for FY22 and FY21, respectively includes both a federal component and a state component.

***Federal Funding***

In response to the COVID-19 pandemic that began in March 2020, the federal government signed into law various acts to provide economic relief to the nation, including higher education. The U.S. Department of Education has awarded the System a total of $104 million under the following acts:

* Coronavirus Aid, Relief and Economic Security (CARES) Act - $18 million awarded in FY20.
* Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - $32 million awarded in FY21.
* American Rescue Plan (ARP) Act - $54 million awarded in late FY21.

Under these acts, the System received total awards of $45 million to use for emergency aid to students and total awards of $59 million to use for various other pandemic related costs including reimbursement of refunded room and board revenues and recovery of lost revenues.

In the accompanying financial statements, the System has recognized revenue from the above federal awards in accordance with GASB guidance. Under this guidance, revenue recognition does not necessarily correlate with the same fiscal year that the System applied allowable costs against the awards. For example, some of the FY22 revenue recognized in the accompanying financial statements related to costs applied against the federal awards in FY21. Also, certain costs applied against the federal awards in FY20 were not recognized as revenue until FY21.

FY22 federal coronavirus relief funding revenue totals $55 million and is related to the following costs:

* Emergency awards made to students in FY22 - $28 million
* Recovery of lost FY21 and FY22 revenues - $22 million
* Other pandemic related costs - $5 million

FY21 federal coronavirus relief funding revenue totals $29 million and is related to the following costs:

* Emergency awards made to students in FY21 - $9 million
* Reimbursement of FY20 room and board refunds - $5 million
* Recovery of lost FY21 lost revenues - $14 million
* Other pandemic related costs - $1 million

***State Funding***

During FY21 and FY22, the State of Maine awarded the System a total of $15 million to be used for COVID-19 testing costs, personal protective equipment, and quarantine related costs. The System has recognized coronavirus relief funding revenue from this award in the amount of $8 million for FY22 and $7 million for FY21.

***Cash Gifts***

As shown in Chart 11, total cash gifts of $47 million received in FY22 were up $21 million from the prior year mainly as a result of fundraising for engineering capital projects. FY22 gifts from university foundations increased $23 million, while corporations and alumni gifts remained flat. Gifts from non-profits and other donor types each decreased $1 million. FY21 gifts from university foundation, corporation, non-profits, and other donor types each increased $1 million. Gifts from alumni increased $2 million.

Of the $47 million in gifts received in FY22, 93% were restricted, 6% were endowed, and 1% were unrestricted. Of the $26 million in gifts received in FY21, 85% were restricted, 10% were endowed, and 5% were unrestricted.

Operating Expenses

Table 6 shows expenses on a functional basis while Table 7 shows expenses by natural classification.

**Table 6: Operating Expenses by Functional Classification**

**For the Years Ended June 30**

**(In millions)**

 2022  2021  2020  2019  2018 
Instruction   $202  25%  $188  28%  $183  25%  $181  25%  $174  25%
Academic support  81  10%  75  11%  73  10%  73  10%  74  11%
Student services  67  8%  57  8%  62  9%  61  9%  58  8%
Subtotal  350  43%  320  47%  318  44%  315  44%  306  44%
Research  99  12%  86  13%  80  11%  80  11%  76  11%
Public service  65  8%  59  9%  58  8%  59  8%  57  8%
Institutional support  67  8%  12  2%  65  9%  74  10%  64  9%
Operation and maintenance of plant  61  8%  62  9%  50  7%  52  7%  51  8%
Depreciation and amortization  44  5%  44  6%  42  6%  41  6%  40  6%
Student aid  58  7%  40  6%  40  6%  36  5%  34  5%
Auxiliary enterprises  67  8%  57  8%  63  9%  67  9%  64  9%
Total Operating Expenses  $811  99%  $680  100%  $716  100%  $724  100%  $692  100%

**Table 7: Total Expenses by Natural Classification**

**For the Years Ended June 30**

**(In millions)**

 2022  2021  2020  2019  2018 
Operating:          
Compensation  $362  44%  $336  49%  $331  46%  $322  44%  $310  45%
Benefits  148  18%  87  13%  129  18%  139  19%  124  18%
Utilities  30  4%  27  5%  28  4%  31  4%  30  4%
Supplies and Services  169  21%  146  20%  146  20%  155  21%  154  22%
Depreciation and Amortization  44  5%  44  6%  42  6%  41  6%  40  5%
Student Aid  58  7%  40  6%  40  5%  36  5%  34  5%
Total Operating Expenses  811  99%  680  99%  716  99%  724  99%  692  99%
Nonoperating:          
Interest   4  0%  4  1%  4  1%  4  1%  4  1%
Total Expenses  $815  100%  $684  100%  $720  100%  $728  100%  $696  100%

Compensation costs were $362 million in FY22, up 7.7% from the FY21 total of $336 million while FY22 benefits totaled $148 million, up 70% from the FY21 total of $87 million. The FY22 increase in benefits is primarily related to the fact that FY21 OPEB costs included a one-time $49 million savings from a plan change. Negative FY22 market returns on OPEB assets also contributed to the increase in benefits. Compensation costs for FY21 saw an increase of 1.5% over the FY20 total of $331 million and FY21 benefits were down 33% from the FY20 total of $129 million primarily related to the changes in the System’s OPEB plan.

Statements of Cash Flows

The Statements of Cash Flows examines the changes in cash position for each year of operations. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the System during the fiscal year. These statements help users assess the System’s ability to generate future cash flows, its ability to meet obligations as they become due, and its need for external financing.

Statements of Fiduciary Net Position

The Statements of Fiduciary Net Position present assets that the System holds in a fiduciary or trustee capacity on behalf of various external entities and groups, including the following:

* UMS OPEB Trust
* UMS Defined Benefit plan
* Maine Maritime Academy (withdrew in spring 2022)
* University of Maine School of Law Foundation
* University of Maine at Fort Kent Foundation
* University of Southern Maine Foundation
* John L. Martin Scholarship Fund, Inc.
* USM Osher Map Library Foundation (new in 2022)
* Student government groups

As shown in the Condensed Statements of Fiduciary Net Position in Table 8, the System holds a total of $220 million in assets on behalf of the above noted entities. The vast majority of these assets are in the form of pooled investments, representing investment in the System’s MIP, either directly or indirectly through the UMS Endowment Pool. See the discussion of the UMS’ Managed Investment Pool and Endowments on pages 20 and 22, respectively for more information about these investments.

The Statements of Fiduciary Net Position also present liabilities and net position associated with the assets held on behalf of the external entities.

**Table 8: Condensed Statements of Fiduciary Net Position as of June 30**

**(In millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2022** | **% Change** | **2021** | **% Change** | **2020** |
| Cash and cash equivalents | **$ 2** | **0%** | **$ 2** | **0%** | $ 2 |
| Investments - pooled | **197** | **-30%** | **283** | **30%** | 218 |
| Investments - other | **21** | **-16%** | **25** | **0%** | 25 |
| **Total Assets** | **220** | **-29%** | **310** | **27%** | 245 |
|  |  |  |  |  |  |
| **Total Liabilities** | **-** | **0%** | **-** | **0%** | - |
| Pensions | **20** | **-20%** | **25** | **0%** | 25 |
| Postemployment benefits other than pensions | **156** | **-13%** | **180** | **31%** | 137 |
| Pool participants | **41** | **-60%** | **102** | **26%** | 81 |
| Student and other groups | **3** | **0%** | **3** | **50%** | 2 |
| **Total Net Position** | **$ 220** | **-29%** | **$ 310** | **27%** | $ 245 |

The withdrawal from the MIP by MMA played an important role in the decreases in Investments – pooled and Pool participants sections above.

Statements of Changes in Fiduciary Net Position

The Statements of Changes in Fiduciary Net Position show the fiscal year changes in the net position associated with assets held on behalf of the external entities noted in the prior discussion of the Statements of Fiduciary Net Position.

Strategic Vision and Priorities

In FY22, UM was designated as an R1 university by the prestigious ‎Carnegie Classification of Institutions of Higher Education. The R1 designation affirms that UM has reached “very high research ‎activity” in recent years and the highest possible tier a doctoral research university can achieve in the Carnegie ‎Classification.

Series 2022 Revenue Bonds

Proceeds from the sale of the Series 2022 Bonds, issued in July 2022, will be used to finance construction of a new residence hall and parking garage at USM and the Ferland Engineering Education and Design Center at UM. Bond proceeds will also be used for initial design work for a new energy plant to be constructed at UM and to repay the $43 million Bond Anticipation Note issued by the System for related construction in progress in May 2021.

Unified Accreditation & Strategic Planning

UMS’s unified accreditation, effective since July 1, 2020, opens the door to previously unavailable strategic opportunities for the System’s universities to collaborate, share resources, and achieve educational efficiencies to better serve their students and the State of Maine. System leadership and representatives from across the System are fully engaged in the significant work of preparing a self-study assessment report for the New England Commission of Higher Education (NECHE) in connection with NECHE’s October 2022 comprehensive evaluation of the System’s unified accreditation.

***The Maine Jobs and Recovery Plan – University Funding Allocation***

The federal American Rescue Plan provided relief funding for states including a $1.13 billion allocation to the State of Maine for discretionary use by the Governor and Legislature to respond to the pandemic and support economic recovery. The passage of the Maine Jobs and Recovery Plan identifies priorities for using these funds including $35 million to be invested in critical university workforce infrastructure and experience opportunities thereby advancing economic recovery and Maine’s 10-year strategic plan. These resources will accelerate talent development, research and innovation and the long-term economic growth and global competitiveness of Maine that responds to the COVID-19 public health emergency. Students will experience greater opportunities for exploratory learning, paid internships, and career preparation programs connected to the Maine workforce.

***Harold Alfond Foundation Investment***

In October 2020, the Harold Alfond Foundation announced an historic $240 million investment over 12 years in the System. The University System has begun developing the initiatives and implementation structure for this historic grant. The initial stages, termed UMS TRANSFORMS, will bring together university and system leaders in information sessions and open forums to identify individuals interested in participating and establishing an implementation structure. The University System expects community input, continued conversation with the Harold Alfond Foundation and engagement with other grantees and State partners which will help define outcomes and measures of success for the initial stages.

***Other Capital Investments***

Improving the System’s capital infrastructure is a strategic imperative with more than 50 percent of UMS’s physical plant constructed or last renovated more than 50 years ago. Greater investment in our facilities, including through innovative partnerships, are part of our plan.

The previously mentioned Harold Alfond Foundation investment provides $50 million to renovate facilities for the Maine College of Engineering, Computing, and Information Science, $90 million to modernize athletics facilities at UM, and $40 million to acquire or construct a building for various programs of the UM Graduate and Professional Center.

UM is pursuing a project which will greatly improve its energy infrastructure. Collectively these improvements are expected to provide an addition to the central steam plant that uses 100% renewable fuels; incorporates electrical and steam distribution upgrades; and offers the most sustainable, reliable, economical, and environmentally friendly option to provide thermal and electrical energy to UM’s Orono campus for the next 30+ years.

Construction has begun to repurpose two costly and currently unusable historic buildings on the UM campus into a boutique hotel through a public-private partnership. An on-campus facility of this nature will provide a convenient option to those who attend academic conferences, cultural and athletic events, homecomings, commencements and other functions, and may serve as a base of experiential learning opportunities for students in tourism and hospitality programs.

UM opened doors to its new Ferland Engineering, Education and Design Center in the Fall of 2022. This state of the art facility, funded with state supported UMS revenue bonds and significant gift monies, is the new home of the Mechanical and Biomedical Engineering departments as well as teaching and research laboratories, a Capstone laboratory suite for all engineering disciplines, and several flexible classrooms. The facility will have the capacity to increase engineering enrollment by a third – 600 additional students a year – to meet the demand of students and employers of the state.

***University Credit Rating***

The System routinely issues revenue bonds for its capital needs and S&P Global Ratings (S&P) reviews the credit worthiness of the System and its debt. In June 2022, S&P affirmed its AA- rating while revising its outlook from stable to negative for the UMS’ revenue bonds, reflecting the System’s increased debt level and Maine’s lagging social capital and demographic trends. In its overview, S&P assessed UMS' enterprise profile as strong, characterized by our breadth and depth of institutions and assessed our financial profile as very strong while noting capital investment needs and significant future debt plans as limiting factors. S&P also viewed favorably the increasing State funding situation and growing capital support from State authorized and issued borrowing that does not require reimbursement by the System. The revenue bonds are secured by a broad pledge of the System’s available resources.

***UNIVERSITY OF MAINE SYSTEM***

***STATEMENTS OF NET POSITION***

***JUNE 30, 2022 AND 2021 (IN THOUSANDS)***



 2022 2021 Restated
Assets  
Current Assets  
Cash and cash equivalents (Note 2)  $7,441   $3,030 
Operating investments (Note 3)  307,077   286,062 
Accounts, grants, and pledges receivable, net (Note 4)  64,482   74,647 
Inventories and prepaid expenses  6,782   5,562 
Notes and leases receivable, net (Note 5)  351   354 
Total Current Assets  386,133   369,655 
Noncurrent Assets  
Deposits with bond trustees (Notes 3 and 6)  3,659   34,203 
Accounts, grants and pledges receivable, net (Note 4)  5,858   4,069 
Notes and leases receivable, net (Note 5)  26,172   31,101 
Net OPEB asset (Note 14)  -   18,058 
Endowment investments (Note 3)  141,168   166,312 
Capital assets, net (Note 6)  797,811   701,398 
Irrevocable split interest agreements  470   847 
Total Noncurrent Assets  975,138   955,988 
Total Assets  1,361,271   1,325,643 
Deferred Outflows of Resources (Note 15)  31,707   17,636 
Total Assets and Deferred Outflows of Resources  $1,392,978   $1,343,279 
Liabilities  
Current Liabilities  
Accounts payable  $36,104   $18,585 
Unearned revenue and deposits (Note 8)  26,894   19,069 
Accrued liabilities - current portion (Notes 7, 11 and 13)  48,073   44,104 
Funds held for others - current portion  1,774   1,702 
Current portion of lease liabilities (Note 7)  2,311   1,591 
Long-term debt - current portion (Note 7)  55,755   13,574 
Total Current Liabilities  170,911   98,625 
Noncurrent Liabilities  
Accrued liabilities (Notes 7, 11, 13 and 14)  72,342   54,014 
Funds held for others (Note 3)  76   248 
Noncurrent portion of lease liabilities (Note 7)  33,008   13,452 
Long-term debt (Note 7)  96,138   151,798 
Government advances refundable (Note 9)  14,152   19,360 
Total Noncurrent Liabilities  215,716   238,872 
Total Liabilities  386,627   337,497 
Deferred Inflows of Resources (Note 15)  36,737   62,265 
Net Position  
Net investment in capital assets (Note 10)  588,972   548,693 
Restricted nonexpendable (Note 10)  71,249   69,149 
Restricted expendable (Notes 3 and 10)  147,419   143,604 
Unrestricted (Notes 3 and 10)  161,974   182,071 
Total Net Position  969,614   943,517 
Total Liabilities, Deferred Inflows of Resources and Net Position  $1,392,978   $1,343,279

***UNIVERSITY OF MAINE SYSTEM***

Statements of Financial Position – Discretely Presented Component Unit

***DECEMBER 31, 2021 AND JUNE 30, 2021 (IN THOUSANDS)***

    December 31 2021 June 30      2021
Assets     
 Cash and cash equivalents    $4,128   $1,651 
 Other receivables    49   129 
 "Promises to give, less allowance for uncollectible pledges
     of $140"    4,303   8,364 
 Short-term investments    32,499   25,130 
 Cash surrender value of life insurance    238   188 
 Long-term investments, endowment    329,042   310,056 
 Long-term investments, life income plans    6,454   5,873 
 Notes receivable    21   21 
 Equity in Buchanan Alumni House    2,625   2,663 
 Investment real estate    5,516   5,525 
 "Property and equipment, net of accumulated depreciation of 
     $252 and $234, respectively"    131   149 
 Other assets    520   524 
 Irrevocable trusts    7,045   7,662 
  Total Assets   $392,571   $367,935 
     
Liabilities     
 Accounts payable    $1,806   $272 
 Distributions due income beneficiaries    1,869   1,758 
 Accrued expenses    988   927 
 Deferred revenue    1,857   133 
 Custodial accounts payable    4,116   3,998 
  Total Liabilities   10,636   7,088 
Net Assets     
 Without donor restrictions    17,480   15,414 
 With donor restrictions    364,455   345,433 
  Total Net Assets   381,935   360,847 
  Total Liabilities and Net Assets   $392,571   $367,935

***UNIVERSITY OF MAINE SYSTEM***

Statements of Revenues, Expenses and Changes in Net Position

***YEARS ENDED JUNE 30, 2022 AND 2021 (IN THOUSANDS)***

 2022 2021       restated
Operating Revenues  
Tuition and fees  $328,080   $320,684 
Residence and dining fees  65,160   39,894 
Less: scholarship allowances  (130,416)  (122,104)
Net student fees  262,824   238,474 
Federal, state and private grants and contracts  139,545   119,085 
Recovery of indirect costs  23,498   17,308 
Educational sales and services and other revenues  30,520   19,317 
Other auxiliary enterprises  10,327   10,894 
Total Operating Revenues  466,714   405,078 
Operating Expenses  
Instruction  202,070   187,643 
Research  99,534   85,787 
Public service  65,281   59,293 
Academic support  80,633   75,295 
Student services  66,655   56,947 
Institutional support  66,632   12,080 
Operation and maintenance of plant  61,248   62,514 
Depreciation and amortization (Note 6)  44,234   43,622 
Student aid  57,578   40,122 
Auxiliary enterprises  66,907   56,539 
Total Operating Expenses  810,772   679,842 
Operating Loss  (344,058)  (274,764)
Nonoperating Revenues (Expenses)  
Noncapital State of Maine appropriations  229,357   218,157 
Federal Pell Grants  33,735   34,591 
Coronavirus relief funding  62,886   36,602 
Gifts currently expendable  19,883   19,165 
Endowment return used for operations (Note 3)  6,154   6,006 
Investment income (loss) (Note 3)  (13,664)  22,525 
Interest expense, net (Note 7)  (3,954)  (3,853)
Net Nonoperating Revenues (Expenses)  334,397   333,193 
Income (Loss) Before Other Changes in Net Position  (9,661)  58,429 
Other Changes in Net Position  
State of Maine capital appropriations  25,392   15,988 
Capital grants and gifts  34,437   8,225 
Endowment return, net of amount used for operations (Note 3)  (26,295)  29,406 
True and quasi endowment gifts  2,782   2,582 
Loss on disposal of capital assets  (558)  (2,395)
Total Other Changes in Net Position  35,758   53,806 
Change in Net Position  26,097   112,235 
Net Position - Beginning of the Year-As Restated  943,517   831,282 
Net Position - End of Year - As Restated (Note 18)  $969,614   $943,517

***UNIVERSITY OF MAINE SYSTEM***

***Statements of Activities – Discretely Presented Component Unit***

***SIX MONTHS ENDED DECEMBER 31, 2021 AND THE YEAR ENDED JUNE, 30 2021 (IN THOUSANDS)***

   Without Donor Restrictions With Donor Restrictions Total      December 31                  2021  Without Donor Restrictions With Donor Restrictions Total      June 30      2021 
        
Revenues, Gains, Losses, and Reclassification        
 Contributions   $4,461   $8,231   $12,692   $4,585   $18,869   $23,454 
 Advancement services   1,857   -   1,857   3,694   -   3,694 
 Investment returns and other revenue   622   17,284   17,906   2,484   74,851   77,335 
 Reinvestment of donor funds   78   (78)  -   148   (148)  - 
 Gain from extinguishment of debt -        
    Paycheck Protection Program   -   -   -   719   -   719 
 Net assets released from restrictions pursuant       
    to endowment spending distribution   3,532   (3,532)  -   6,721   (6,721)  - 
 Net assets released from restrictions - other   2,883   (2,883)  -   4,227   (4,227)  - 
 Total Revenues, Gains, Losses, and Reclassification   13,433   19,022   32,455   22,578   82,624   105,202 
Expenses and Losses        
 Program services   9,272   -   9,272   16,134   -   16,134 
 Management and general   540   -   540   1,003   -   1,003 
 Fundraising   1,555   -   1,555   3,022   -   3,022 
 Total Expenses   11,367   -   11,367   20,159   -   20,159 
 Change in Net Assets   2,066   19,022   21,088   2,419   82,624   85,043 
 Net Assets - Beginning of Year   15,414   345,433   360,847   12,995   262,809   275,804 
 Net Assets - End of Year   $17,480   $364,455   $381,935   $15,414   $345,433   $360,847

***UNIVERSITY OF MAINE SYSTEM***

***Statements of Cash Flows***

***Years Ended June 30, 2022 and 2021 (in thousands)***

 2022 2021 Restated
Cash Flows From Operating Activities  
Tuition, residence, dining, and other student fees  $261,234   $236,417 
Grants and contracts  167,867   123,120 
Educational sales and services and other auxiliary enterprise revenues  39,080   30,225 
Payments to and on behalf of employees  (501,215)  (463,985)
Financial aid paid to students  (62,334)  (44,475)
Payments to suppliers  (195,892)  (164,454)
Loans issued to students  (1,778)  (1,791)
Collection of loans to students  4,774   5,091 
Net Cash Used for Operating Activities  (288,264)  (279,852)
Cash Flows From Noncapital Financing Activities  
State appropriations  229,357   218,157 
Federal Pell Grants  34,602   34,733 
Coronavirus relief funding  73,915   23,339 
Noncapital grants and gifts  20,920   23,942 
Agency transactions  655   88 
Net Cash Provided by Noncapital Financing Activities  359,449   300,259 
Cash Flows From Capital and Related Financing Activities  
Proceeds from capital debt issuances  -   43,000 
Capital appropriations  23,832   15,758 
Capital grants and gifts  31,454   6,452 
Proceeds from sale of capital assets  45   41 
Acquisition and construction of capital assets  (102,823)  (46,191)
Principal paid on capital debt and leases  (15,218)  (13,813)
Interest paid on capital debt and leases  (5,223)  (5,369)
Net Cash Used for Capital and Related Financing Activities  (67,933)  (122)
Cash Flows From Investing Activities  
Proceeds from sales and maturities of investments  562,486   416,523 
Purchases of investments  (568,421)  (447,045)
Earnings from investments  7,094   5,985 
Net Cash Provided by (Used for) Investing Activities  1,159   (24,537)
Net Increase (Decrease) in Cash and Cash Equivalents  4,411   (4,252)
Cash and Cash Equivalents - Beginning of Year  3,030   7,282 
Cash and Cash Equivalents - End of Year  $7,441   $3,030

***UNIVERSITY OF MAINE SYSTEM***

***Statements of Cash Flows***

***Years Ended June 30, 2022 and 2021 (in Thousands)***

 2022 2021 Restated
Operating Loss  $(344,058)  $(274,764)
Adjustments to reconcile operating loss to net cash used for operating activities:  
Depreciation and amortization  44,234   43,622 
Changes in assets, liabilities, deferred outflows and deferred inflows:  
Accounts and grants receivable, net  924   (8,385)
Inventories and prepaid expenses  (1,220)  20 
Notes and leases receivable, net  4,579   3,830 
Net OPEB asset  18,058   (18,058)
Irrevocable split interest agreements  377   918 
Deferred outflows related to pensions  (794)  357 
Deferred outflows related to OPEB  (13,556)  13,135 
Accounts payable  2,224   2,176 
Unearned revenue and deposits  6,812   3,601 
Accrued liabilities  24,892   (63,431)
Grants refundable  (5,208)  (4,608)
Deferred inflows related to pensions  (923)  848 
Deferred inflows related to OPEB  (23,775)  22,090 
Deferred inflows related to split interest agreements  (377)  (918)
Deferred inflows related to dining contract  (512)  (13)
Deferred inflows related to Leases  59   (272)
Net Cash Used for Operating Activities  $(288,264)  $(279,852)
Noncash investing, capital, and financing activities:  
Capital asset additions included in accounts payable and accrued liabilities as of June 30  $22,459   $7,177 
Capital asset additions acquired through long-term debt  $105   $106 
Capital asset additions acquired through long-term leases  $22,587   $5,672 
Capital asset additions acquired through service concession arrangements  $-   $5

***UNIVERSITY OF MAINE SYSTEM***

***Statements of FiDUCIARY NET POSITION***

***June 30, 2022 and 2021 (in Thousands)***

  2022   2021 
 Pension and Other Employee  Custodial Funds  Pension and Other Employee Custodial Funds 
 Benefit Trust Funds External Investment Pools Other Custodial Funds Benefit Trust Funds External Investment Pools Other Custodial Funds
Assets      
Cash and cash equivalents (Note 2)  $-   $-   $2,687   $-   $-   $2,674 
"Investment in UMS managed 
     investment pool (Note 3)"  156,012   10,683   -   180,270   66,958   - 
"Investment in UMS endowment
     pool (Note 3)"  -   30,150   -   -   35,190   - 
Other investments (Note 3)  20,392   168   -   25,291   -   - 
Prepaid expenses  -   -   5   -   -   5 
Total Assets  176,404   41,001   2,692   205,561   102,148   2,679 
Liabilities      
Accounts payable and other liabilities  -   -   6   -   -   29 
Requested by beneficiaries  -   168   -   -   -   - 
Total Liabilities  -   168   6   -   -   29 
Net Position Restricted for:      
Pensions  20,392   -   -   25,291   -   - 
"Postemployment benefits other
     than pensions"  156,012   -   -   180,270   -   - 
Pool participants  -   40,833   27   -   102,148   17 
Student and other groups  -   -   2,659   -   -   2,633 
Total Net Position  $176,404   $40,833   $2,686   $205,561   $102,148   $2,650

***UNIVERSITY OF MAINE SYSTEM***

Statements of Changes in FIDUCIARY Net Position

***Years Ended June 30, 2022 and 2021 (in Thousands)***

  2022   2021 
 Pension and Other Employee Custodial Funds  Pension and Other Employee  Custodial Funds 
 Benefit Trust Funds External Investment Pools Other Custodial Funds Benefit Trust Funds External Investment Pools Other Custodial Funds
Additions      
Contributions      
Employer contributions  $5,609   $-   $-   $13,380   $-   $- 
Retiree contributions  1,688   -   -   2,225   -   - 
Contributions to investment pools  -   10,722   -   -   4,501   - 
Private donations  -   -   29   -   -   23 
Total contributions  7,297   10,722   29   15,605   4,501   23 
Investment income (loss)      
Interest and dividends  2,312   1,019   2   2,226   1,101   1 
Net increase (decrease) in fair value of investments  (25,461)  (7,885)  -   40,107   21,048   - 
Total investment income (loss)  (23,149)  (6,866)  2   42,333   22,149   1 
Less investment expense  (1,269)  (396)  -   (1,240)  (596)  - 
Net investment income (loss)  (24,418)  (7,262)  2   41,093   21,553   1 
Other additions      
Student activity fees  -   -   2,172   -   -   1,932 
Endowment income distribution  -   -   1,100   -   -   857 
Other income  -   -   280   -   -   267 
Total other additions  -   -   3,552   -   -   3,056 
Total additions  (17,121)  3,460   3,583   56,698   26,054   3,080 
Deductions      
Beneficiary payments  12,018   -   -   13,133   -   - 
Investment pool distributions  -   62,664   -   -   4,845   - 
Distribute activity fees  -   -   1,407   -   -   1,161 
Distribute other revenues  -   -   29   -   -   9 
Donations and sponsorships  -   2,111   1,084   -   -   845 
Purchases by student and other groups  -   -   1,027   -   -   770 
Administrative costs  18   -   -   13   -   - 
Total deductions  12,036   64,775   3,547   13,146   4,845   2,785 
Change in Fiduciary Net Position  (29,157)  (61,315)  36   43,552   21,209   295 
Net Position - Beginning of the Year  205,561   102,148   2,650   162,009   80,939   2,355 
Net Position - End of Year  $176,404   $40,833   $2,686   $205,561   $102,148   $2,650

***UNIVERSITY OF MAINE SYSTEM***

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021 (in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The University of Maine System ("the System"), a discretely presented component unit of the State of Maine, consists of seven universities, eight centers, and a central administrative office. All activities of the System are included in the accompanying financial statements, including those of its discretely presented component unit, the University of Maine Foundation, which is a not-for-profit entity controlled by a separate governing board whose goal is to support the System (see Note 16). The component unit receives funds primarily through donations and contributes funds to the System for student scholarships, institutional support and capital construction support.

b. Basis of Presentation

The accompanying financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

Under the System’s policy, operating activities in the Statements of Revenues, Expenses, and Changes in Net Position are those that generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services and certain grants. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities.* These nonoperating activities include the System’s noncapital appropriations from the State of Maine, federal pell grants, coronavirus relief funding, gifts currently expendable, endowment return used for operations, net investment income, and interest expense.

In FY22 the System adopted GASB Statement No. 87, *Leases* (GASB No. 87). This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right of use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

***1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED***

The System adopted the provisions of GASB No. 87 retroactive to July 1, 2020, and has restated its FY21 financial statements in accordance with the provisions of GASB No. 87. The adoption of GASB No. 87 is described further in Note 18.

c. Fiduciary Funds

The System holds these funds on behalf of other entities as a trustee or fiduciary. The System is responsible for ensuring such assets are used only for their intended purposes and by those to whom the assets belong.

The System reports its fiduciary funds in the following financial statements that accompany these notes.

**Statements of Fiduciary Net Position** – Presents the assets held by the System in a fiduciary capacity as of June 30 along with the related deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

**Statements of Changes in Fiduciary Net Position** – Presents the components of the fiscal year change in net position of the fiduciary funds.

The System’s fiduciary financial statements include the following types of fiduciary funds:

**Pension and Other Employee Benefit Trusts** – These funds include the assets associated with the System’s Defined Benefit Plan for classified employees and its OPEB health plan.

**External Investment Pools** – These are a type of custodial fund and represent amounts invested by external parties in the System’s management investment and endowment pools.

**Other Custodial Funds** – These custodial funds are held on behalf of various student government groups.

d. Net Position

The accompanying Statements of Net Position present the System’s net position (assets plus deferred outflows of resources less liabilities and deferred inflows of resources) in the following four categories:

**Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets. It also includes the premiums/discounts related to the outstanding debt. This category excludes the portion of debt attributable to unspent bond proceeds.

**Restricted – nonexpendable:** Net position subject to externally imposed conditions that the System maintain them in perpetuity. Such net position includes the historical gift value of restricted true endowment funds. In the event that market fluctuations have

***1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED***

caused the fair value of an endowment to fall below corpus, the related net position is valued at the lower fair value amount.

**Restricted – expendable:** Net position subject to externally imposed conditions that can be fulfilled by the actions of the System or by the passage of time. Such net position includes the accumulated net gains on true endowment funds, restricted gifts and income, and other similarly restricted funds.

**Unrestricted:** All other categories of net position. Unrestricted net position may be committed by actions of the System’s Board of Trustees.

The System has adopted a policy of generally utilizing restricted – expendable resources, when available, prior to unrestricted resources.

e. Cash and Cash Equivalents

The System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

f. Investments

All investments are reported at fair value except for the state pool, which is reported at amortized cost. System management is responsible for the fair measurement of investments reported in the financial statements. The System has implemented policies and procedures to assess the reasonableness of the fair values provided and believes that reported fair values at the Statements of Net Position dates are reasonable.

**Pooled Third party investments:** During FY22 four outside entities, the UMS Other Postemployment Benefit (OPEB) Trust, Maine Maritime Academy, the USM Osher Map Library

Foundation and the University of Maine School of Law Foundation, pooled monies with the System’s endowment pool. Investment performance results of these pooled monies are allocated on a pro rata basis based on the number of pool shares held by each entity. The USM Osher Map Library Foundation joined the pool during FY22. Maine Maritime Academy withdrew from the pool during FY22.

Contributions to and withdrawals from the pool are allowed only on the first business day of a calendar quarter.

Investment of these monies follows guidelines approved by the System’s Board of Trustees Investment Committee. These guidelines are further disclosed in the remainder of this Note and Note 3 to these financial statements as part of the discussion of endowments.

**Endowment**: The System follows the pooled investment concept for its endowed funds, whereby all invested funds are included in one pool, except for funds that are separately invested as directed by the donor. Investment income is allocated to each endowed fund in the pool based on its pro rata share of the pool

***1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED***

The income produced by the fund, including realized and unrealized gains, can be used to meet the spending objective. As determined by policy, the expendable income objective was 4.5% for FY22 and FY21. The percentage was applied to a 3-year market value average to determine expendable income.

Under State of Maine law, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The System’s policy is to spend endowment appreciation to the extent of the approved annual spending rate while not invading corpus. The return (loss) net of the amount used for operations is presented as Other Changes in Net Position in the Statements of Revenues, Expenses and Changes in Net Position.

**Authorized Investment Vehicles - Operating Investments:** The System has a three-tiered approach regarding its operating investments:

* **Liquidity Pool** – The purpose of this pool is to meet the day-to-day obligations of the System. It consists of funds that are invested in a portfolio of highest quality short-term fixed-income securities (e.g., Treasury obligations, agency securities, repurchase agreements, money market funds, commercial paper, and/or short-term bond mutual funds) with adequate liquidity. The average quality of the pool will be rated at least “A-1” by Standard and Poor’s (or equivalent).
* **Income Pool** – The purpose of this pool is to provide sufficient income to meet budgetary goals and provide additional diversification to minimize downside risk. This pool invests in a diversified portfolio which may include items such as, but not limited to, fixed income securities, Federal Deposit Insurance Corporation insured or adequately collateralized certificates of deposit (CDs), or unconstrained, short or intermediate term bond funds with a normal average duration of -2 to 7 years. The pool may invest in funds rated from BB to AAA quality. The overall average quality rating of this pool will be at least “A-” by Standard and Poor’s (or equivalent).
* **Total Return Pool** – This pool is expected to add diversification and growth to the portfolio and may invest in diversified assets made up of, but not limited to, equities, hedge funds, and global asset allocation mandates.

**Authorized Investment Vehicles - Endowment Investments:** The fund is diversified both by asset class and within asset classes. To have a reasonable probability of consistently achieving the Fund’s return objectives, the following asset allocation policy ranges were applicable as of June 30, 2022 and 2021.

***1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED***

|  | **2022** | **2021** |
| --- | --- | --- |
| Equity securities | 49-69% | 49-69% |
| Fixed income securities | 16-36% | 16-36% |
| Other | 5-25% | 5-25% |
| Cash | 0-10% | 0-10% |

**Authorized Investment Vehicles - Deposits with Bond Trustees**: These monies are invested in accordance with the governing bond resolutions and arbitrage certificates.

g. Gifts and Pledges

Gifts are recorded at their fair value at the date of gift. Promises to donate to the System are recorded as receivables and revenues when the System has met all applicable eligibility and time requirements. Gifts and bequests to be used for endowment purposes are categorized as endowment gifts. Other gifts are categorized as currently expendable. Pledges receivable are reported net of amounts deemed uncollectible and after discounting to the present value of the expected future cash flows. Since the System cannot fulfill the time requirement for gifts to endowments until the gift is received, pledges to endowments are not reported. Because of uncertainties with regard to their realizability and valuation, bequests and intentions to give and other conditional promises are not recognized as assets until the specified conditions are met.

h. Grants and Contracts and Capital Appropriations

The System records a receivable and corresponding revenue for grants and contracts and capital appropriations at the point all eligibility requirements (e.g., allowable costs are incurred) are met.

i. Inventories

Inventories are stated at cost. Cost is determined using the first-in, first-out method or the average-cost method.

j. Capital Assets

Capital assets which include property, plant, equipment, intangible assets and library holdings are recorded at cost when purchased or constructed and at acquisition value at date of donation. Costs for maintenance, repairs and minor renewals and replacements are expensed as incurred; major renewals and replacements are capitalized.

Prior to July 1, 2003, library materials were generally capitalized and depreciated over a ten-year period. Effective July 1, 2003, the System began to expense library materials as incurred. The System will retain the undepreciated library materials balance as a core non-depreciating asset.

***1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED***

The System does not capitalize and depreciate its collections of historical treasures and works of art because it is the System’s policy that:

* Works of art and historical treasures are to be held for public exhibition, education, or research in furtherance of public service, rather than for financial gain.
* Works of art and historical treasures are to be protected, kept unencumbered, cared for, and preserved.
* Proceeds from sale of works of art and historical treasures are to be used to acquire other items for the collections.

A capitalization threshold of $50 is used for buildings, building additions and improvements, land improvements and internally generated intangibles. Equipment (including equipment acquired under capital leases) and purchased software are capitalized with a unit cost of $5 or more. These assets, with the exception of land, are depreciated and amortized using the straight-line basis over the estimated useful lives of the related assets, which range from 4 to 60 years.

k. Leases (Lessee and Lessor)

The System is a lessee and a lessor for various noncancellable leases of buildings.

**Short-term Leases:** For leases with a maximum possible term of 12 months or less at commencement, the System recognizes expense based on the provisions of the lease contract.

**Leases other than short-term:**  For all other leases (i.e. those that are not short-term), the System recognizes a lease liability and an intangible right of use lease asset or a lease receivable and deferred inflow of resources.

**Measurement of Lease Amounts:** At lease commencement, the System initially measures the lease liability or receivable at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made and the underlying asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The lease receivable is reduced by the principal portion of payments received and the related deferred inflows are amortized under the interest method to recognize rental revenue.

**Key Estimates and Judgments:** Key estimates and judgments include how the System determines (1) the discount rate it uses to calculate the present value of the expected lease payments, and (2) lease term, and (3) lease payments.

The System generally uses its estimated incremental borrowing rate as the discount rate for lease arrangements unless the rate that the lessor/vendor charges is known. The System’s incremental borrowing rate for lease arrangements is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.

***1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED***

* The lease term includes the noncancellable period of the lease arrangement plus any additional periods covered by either the System or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the System and the lessor/vendor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.
* Payments are evaluated by the System to determine if they should be included in the measurement of the lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

**Remeasurement of Lease Amounts:** The System monitors changes in circumstances that may require remeasurement of a lease arrangement. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured and a corresponding adjustment is made to the lease asset.

***l. Irrevocable Split-Interest Agreements***

The System’s irrevocable split-interest agreements consist of the System’s remainder interest in trusts held by third parties. The System reports these irrevocable split-interest agreements as assets and deferred inflows of resources when it becomes aware of the agreement and has sufficient information to measure its beneficial interest. The System recognizes the annual change in the fair values of the split interest agreements as an increase or decrease in the asset and the related deferred inflows of resources. The System will recognize revenue at the termination of the agreement, as stipulated in the irrevocable split-interest agreement. Also, at the termination of the agreement, the split-interest asset and the related deferred inflow of resources will be eliminated.

m. Unearned Revenue and Deposits

Unearned revenue and deposits in the Statements of Net Position consists primarily of grant and contract advances and deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year. Unearned revenue for summer programs is presented net of waivers. Other expenses related to unearned revenue for summer programs are presented as prepaids in the Statements of Net Position (e.g., scholarships, supplies).

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

n. Compensated Absences

Employees earn the right to be compensated during absences for annual vacation leave. The accompanying Statements of Net Position reflect an accrual for the amounts earned, including related benefits ultimately payable. The System accounts for the vacation leave hours on a last-in, first-out basis. A portion of this liability is classified as current and represents the System’s estimate of vacation time that will be paid during the next fiscal year to employees leaving the System.

o. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are the consumption of assets or increase in liabilities that is applicable to future reporting periods. Deferred outflows of resources are presented separately after Total Assets in the Statements of Net Position.

The System’s deferred outflows consist of:

1. The difference between the reacquisition price and the carrying value of refunded revenue bonds. These amounts are to be recognized as a component of interest expense over the shorter of the remaining life of the refunded bonds or the life of the new bonds.
2. Assumption and experience changes and net investment losses that increase the pension and OPEB liabilities. These amounts are to be recognized as components of pension and postemployment health expense in future reporting periods.

Deferred inflows of resources are the acquisition of assets or reduction of liabilities that is applicable to future reporting periods. Deferred inflows of resources are presented separately after Total Liabilities in the Statements of Net Position.

The System’s deferred inflows of resources consist of:

1. Assumption and experience changes and net investment gains that reduce the pension and OPEB liabilities. These amounts are to be recognized as components of pension and postemployment health expense in future reporting periods.
2. The unamortized balances of a service concession arrangement with Sodexo America, LLC that provided the System with equipment, facility improvements, and a signing bonus. These amounts will be recognized as revenue over the life of the agreement.
3. An offsetting credit to the fair value of the System’s remainder interest in irrevocable split-interest agreements. These deferrals will be recognized as gift income at the termination of the split-interest agreement.
4. An offsetting credit to the net present value of the System’s lease receivables. These amounts will be recognized as rental income over the life of the agreement.

***1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED***

p. Net Student Fees

Student tuition, dining, residence, and other fees are presented net of scholarships and fellowships applied to students’ accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are generally reflected as student aid expense.

q. Tax Status

The System is exempt from income taxes under Section 115 of the Internal Revenue Code (“the Code”) as a governmental entity. It is also recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code.

r. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates in the financial statements include liabilities for self-insured plans, pension and other retirement benefit obligations, as well as allowances for uncollectible receivables. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of bank failure, the System’s deposits, including those held in a fiduciary capacity, may not be returned. Deposits are considered uninsured if they are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution’s trust department or agent but not in the System’s name. The System’s policy is that with the exception of daily operating cash, it will carry no deposits that are uncollateralized or uninsured. As of June 30, 2022and 2021, bank balances with uninsured or uncollateralized operating cash deposits were $4,561 and $1,156, respectively.

3. INVESTMENTS

a. Composition and Fair Value Measurements

Composition and Purpose of Investments:

The System uses a pooled investment approach for its endowments (including Affiliates’ endowments invested with the System) unless otherwise required by the donor. As previously noted, four outside entities - the UMS OPEB Trust, Maine Maritime Academy (ended FY22), the University of Maine School of Law Foundation, and the USM Osher Map Library Foundation (new FY22) - pool monies for investment purposes with the System’s endowment. Investment

***3. INVESTMENTS - CONTINUED***

policies and strategies are determined for this combined Managed Investment Pool (MIP). Fair values, credit ratings, and interest rate risk for the entire investment pool are presented below under “DB Plan and MIP investments”. The amount held for the outside entities are shown as “MIP held on behalf of outside entities”.

***Operating Investments:*** The System’s operating investments are available to fund operations or other purposes as determined by System management.

***Deposits with Bond Trustees***: Deposits with bond trustees are composed of unexpended bond proceeds from bond issuances, bond anticipation notes and escrow accounts associated with the System’s lease-purchase program.

***Endowment Investments:*** Except for certain gifts invested separately at the request of the donors ($1,851 and $716 at June 30, 2022 and 2021, respectively), the System's endowment is managed as a pooled investment fund using external investment managers. The University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation, and the John L. Martin Scholarship Fund, Inc. participate in the System’s endowment pool through a management agreement. The fair values of the investments held for these affiliated organizations at June 30, 2022 and 2021, respectively are $30,150 and $35,190, and are reported as investments in the UMS endowment pool in the accompanying Statements of Fiduciary Net Position.

Endowed gifts are invested to generate income to be used to fund various activities such as scholarships and research as specified by the donors. The total endowment accumulated net income and appreciation available to the System for spending is as follows at June 30:

|  | **2022** | **2021** |
| --- | --- | --- |
| Restricted - expendable | $52,519 | $76,199 |
| Unrestricted | 17,183 | 20,697 |
| Total available for spending | $69,702 | $96,896 |

***Investments for the Defined Benefit Plan – Classified Employees:*** These pension plan investments offset the Total Pension Liability of the System’s Defined Benefit Plan – Classified Employees (DB Plan) described in Note 13d. They are managed by the System and their fair values, credit ratings, and interest rate risk are presented below in the “DB Plan and MIP investments”.

***3. INVESTMENTS - CONTINUED***

*Fair Value Measurements:*

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the entity’s principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB No. 72 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and describes three levels of inputs that may be used to measure fair value:

1. Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access as of the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgement.
2. Valuations based on significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilites, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
3. Valuations based on inputs that are unobservable and significant to the overall fair value measurement. They reflect an entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The above hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements. Investments that are measured at fair value using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The System measures the fair value of investments in certain entities that do not have a quoted market price at the calculated NAV per share or its equivalent. As these investments are not readily marketable the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed.

***3. INVESTMENTS - CONTINUED***

The **System’s operating investments and deposits with bond trustees** were composed of the following at June 30, 2022:

   Fair Value Measurements Using:    Credit  
  Total   Level 1   Level 2   Level 3   Rating   Interest Rate Risk  
Operating Investments measured at fair value:       
Equities:       
Multi-strategy funds  $47,207   $47,207   $-   $-    
Fixed income funds:       
Bonds  123,279   43,398   79,881   -   Not rated   1.3-6.44 years  Duration
Money markets  43,826   43,826   -   -   Not rated   16-33 days  Weighted Average Maturity
Total operating investments at fair value level  214,312   $134,431   $79,881   $-    
Operating investments measured at NAV       
Equities:  Multi-Strategy  15,557       
Bank loans  17,910      Not rated   .30 years  Duration
Total operating investments measured at NAV  33,467       
Total operating investments measured at fair value plus NAV  247,779       
State pool measured at amortized cost  59,298      Not rated  .74 years Duration
Total operating investments  $307,077       
       
Deposits with Bond Trustees:       
Bonds and money markets  $3,659   $3,659   $-   $-   Not rated   16-48 days  Weighted Average Maturity

***3. INVESTMENTS – CONTINUED***

The **System’s DB Plan, MIP and separately invested** **endowments** were composed of the following at June 30, 2022:

   Fair Value Measurements Using:    Credit  
  Total   Level 1   Level 2   Level 3   Rating   Interest Rate Risk  
Investments measured at fair value:       
Equities:       
Equity securities  $9,200   $9,200   $-   $-    
Equity funds  42,652   20,198   22,454   -    
Multi-strategy funds  29,347   29,347   -   -   Not rated   Not rated  
Fixed income funds:       
Money markets  2,031   2,031   -   -   Not rated   14 days  Weighted Average Maturity
Bonds  37,674   37,674   -   -   Not rated  1.8-7.6 years Duration
Real assets  2,004   -   -   2,004   Not rated   Not rated  
Total DB Plan, MIP and separately held at fair value level  122,908   $98,450   $22,454   $2,004    
Investments measured at NAV:       
Equity securities  48,406       
Equity funds  87,098       
Multi-strategy funds  32,837       
Fixed income funds - bonds  45,040       
Bank loans  18,976      Not rated  0.3 years Duration
Total DB Plan and MIP investments measured at NAV  232,357       
Total DB Plan, MIP and separately held investments  $355,265       
Breakdown of above investments by portfolio plus separately invested endowments:       
DB Plan at fair value level  $11,681   $9,677   $-   $2,004    
DB Plan at NAV  8,711       
Total DB Plan Investments  $20,392       
Fiduciary funds separately invested at fair level  $168   $168      
MIP held on behalf of outside entities at fair level  $55,312   $44,129   $11,183   $-    
MIP held on behalf of outside entities at NAV  111,383       
Total MIP held on behalf of outside entities  $166,695       
Fiduciary Funds held in Endowment Pool at fair value level  $10,004   $7,981   $2,023   $-    
Fiduciary Funds held in Endowment Pool at NAV  20,146       
Total Fiduciary Funds held in Endowment Pool  $30,150       
Endowment pool investments included in the MIP at fair value  $45,743   $36,495   $9,248   $-    
Endowment pool investments included in the MIP at NAV  92,117       
Total endowment pool investments included in the MIP  137,860       
Endowment investments - separately invested  3,308   $3,308   $-   $-    
Total endowment investments  $141,168

***3. INVESTMENTS - CONTINUED***

Additional disclosures for **System investments,** including the DB Plan and MIP, measured at NAV at June 30, 2022:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Fair Value** | **Redemption Frequency (If Currently Eligible)** | **Redemption Period Notice** |
| **Operating Investments measured at NAV:** |  |  |  |
| Equities: Multi-strategy ₁ | $ 15,557 | Quarterly, Monthly | 60, 90 days |
| Bank loans ₂ | 17,910 | Bi-monthly | 15 days |
| **Total operating investments measured at NAV** | **$ 33,467** |  |  |
|  |  |  |  |
| **Investments measured at NAV:** |  |  |  |
| Equity securities | $ 48,406 | Monthly | 30 days |
| Equity funds | 87,098 | Monthly | 30 days |
| Multi-strategy funds ₁ | 32,837 | Quarterly, Monthly | 30, 45, 60, 90 days |
| Fixed income funds - bonds | 45,040 | Monthly | 5 days |
| Bank loans ₂ | 18,976 | Monthly | 30 days |
| **Total DB Plan and MIP investments measured at NAV** | **$ 232,357** |  |  |
|  |  |  |  |
| **Further breakdown of above DB Plan and MIP investments:** |  |  |  |
| DB Plan at NAV | $ 8,711 |  |  |
| MIP held on behalf of outside entities at NAV | 111,383 |  |  |
| Fiduciary funds held in the Endowment Pool for others | 20,146 |  |  |
| Endowment pool investments included in the MIP at NAV | 92,117 |  |  |
| **Total investments measured at NAV by portfolio** | **$ 232,357** |  |  |

***3. INVESTMENTS - CONTINUED***

The **System’s operating investments and deposits with bond trustees** were composed of the following at June 30, 2021:

   Fair Value Measurements Using:    Credit  
  Total   Level 1   Level 2   Level 3   Rating   Interest Rate Risk  
Operating Investments measured at fair value:       
Equities:       
Multi-strategy funds  $52,919   $52,919   $-   $-    
Fixed income funds:       
Bonds  117,535   41,482   76,053   -   Not rated   1.28-6.58 years  Duration
Money markets  28,519   28,519   -   -   Not rated   28-47 days  Weighted Average Maturity
Total operating investments at fair value level  198,973   $122,920   $76,053   $-    
Operating investments measured at NAV       
Equities:  Multi-Strategy  15,706       
Bank loans  18,587      Not rated   .30 years  Duration
Total operating investments measured at NAV  34,293       
Total operating investments measured at fair value plus NAV  233,266       
State pool measured at amortized cost  52,796      Not rated  .69 years Duration
Total operating investments  $286,062       
       
Deposits with Bond Trustees:       
Bonds and money markets  $34,203   $34,203   $-   $-   Not rated   28-47 days  Weighted Average    Fair Value Measurements Using:    Credit  
  Total   Level 1   Level 2   Level 3   Rating   Interest Rate Risk  
Operating Investments measured at fair value:       
Equities:       
Multi-strategy funds  $52,919   $52,919   $-   $-    
Fixed income funds:       
Bonds  117,535   41,482   76,053   -   Not rated   1.28-6.58 years  Duration
Money markets  28,519   28,519   -   -   Not rated   28-47 days  Weighted Average Maturity
Total operating investments at fair value level  198,973   $122,920   $76,053   $-    
Operating investments measured at NAV       
Equities:  Multi-Strategy  15,706       
Bank loans  18,587      Not rated   .30 years  Duration
Total operating investments measured at NAV  34,293       
Total operating investments measured at fair value plus NAV  233,266       
State pool measured at amortized cost  52,796      Not rated  .69 years Duration
Total operating investments  $286,062       
       
Deposits with Bond Trustees:       
Bonds and money markets  $34,203   $34,203   $-   $-   Not rated   28-47 days  Weighted Average Maturity

***3. INVESTMENTS - CONTINUED***

The **System’s DB Plan, MIP and separately invested** **endowments** were composed of the following at June 30, 2021:

   Fair Value Measurements Using:    Credit  
  Total   Level 1   Level 2   Level 3   Rating   Interest Rate Risk  
Investments measured at fair value:       
Equities:       
Equity securities  $13,600   $13,600   $-   $-    
Equity funds  51,613   51,613   -   -    
Multi-strategy funds  31,396   31,396   -   -   Not rated   Not rated  
Fixed income funds:       
Money markets  2,490   2,490   -   -   Not rated   27 days  Weighted Average Maturity
Bonds  60,494   60,494   -   -   Not rated  1.28-7.5 years Duration
Real assets  2,161   -   -   2,161   Not rated   Not rated  
Total DB Plan and MIP investments at fair value level  161,754   $159,593   $-   $2,161    
Investments measured at NAV:       
Equity securities  92,541       
Equity funds  118,188       
Multi-strategy funds  33,770       
Fixed income funds - bonds  41,177       
Bank loans  21,602      Not rated  0.3 years Duration
Total DB Plan and MIP investments measured at NAV  307,278       
Total DB Plan and MIP investments  $469,032       
Breakdown of above investments by portfolio plus separately invested endowments:       
DB Plan at fair value level  $13,917   $11,756   $-   $2,161    
DB Plan at NAV  11,374       
Total DB Plan Investments  $25,291       
MIP held on behalf of outside entities at fair level  $82,367   $82,367   $-   $-    
MIP held on behalf of outside entities at NAV  164,861       
Total MIP held on behalf of outside entities  $247,228       
Fiduciary Funds held in Endowment Pool at fair value level  $11,724   $11,724   $-   $-    
Fiduciary Funds held in Endowment Pool at NAV  23,466       
Total Fiduciary Funds  $35,190       
Endowment pool investments included in the MIP at fair value  $53,746   $53,746   $-   $-    
Endowment pool investments included in the MIP at NAV  107,577       
Total endowment pool investments included in the MIP  161,323       
Endowment investments - separately invested  4,989   $4,989   $-   $-    
Total endowment investments  $166,312

***3. INVESTMENTS - CONTINUED***

Additional disclosures for **System investments,** including the DB Plan and MIP, measured at NAV at June 30, 2021:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Fair Value** | **Redemption Frequency (If Currently Eligible)** | **Redemption Period Notice** |
| **Operating Investments measured at NAV:** |  |  |  |
| Equities: Multi-strategy ₁ | $ 15,706 | Quarterly, Monthly | 60, 90 days |
| Bank loans ₂ | 18,587 | Bi-monthly | 15 days |
| **Total operating investments measured at NAV** | **$ 34,293** |  |  |
| **Investments measured at NAV:**  Equity securities | $ 92,541 | Monthly | 30 days |
| Equity funds | 118,188 | Monthly | 30 days |
| Multi-strategy funds ₁ | 33,770 | Quarterly, Monthly | 30, 45, 60, 90 days |
| Fixed income funds - bonds | 41,177 | Monthly | 5 days |
| Bank loans ₂ | 21,602 | Monthly | 30 days |
| **Total DB Plan and MIP investments measured at NAV** | **$ 307,278** |  |  |
| **Further breakdown of above DB Plan and MIP investments:**  DB Plan at NAV | $ 11,374 |  |  |
| MIP held on behalf of outside entities at NAV | 164,861 |  |  |
| Fiduciary funds held in the Endowment Pool for others | 23,466 |  |  |
| Endowment pool investments included in the MIP at NAV | 107,577 |  |  |
| **Total investments measured at NAV by portfolio** | **$ 307,278** |  |  |

Additional information for investments measured at NAV at June 30, 2022 and 2021 is as follows:

1Multi-strategy funds: Includes investments in equities and limited partnerships. Limited partnerships may invest in pooled vehicles in global equities, fixed income instruments, currencies, commodities; long and short positions with respect to bonds, leveraged loans, trade claims and other investments; or other hedge funds with objectives to outperform certain benchmarks. Fair values of these investments are completed on a monthly or quarterly basis using other significant direct or indirect observable inputs or recent observable transaction information for similar investments. Includes investments in liquidation status awaiting final distributions.

2Bank loans: Investments in these funds include floating rate loans in a diverse set of industries and are traditionally rated below investment grade. Other observable inputs determine fair value of this investment.

***3. INVESTMENTS - CONTINUED***

b. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System’s policy for managing interest rate risk is as follows:

Operating Investments: To limit interest rate exposure, the System diversifies its investments as specified in Note 1.f.

Endowment Investments: To limit interest rate exposure, the endowment investment policy restricts the average effective duration of the fixed income portfolio to no more than 1 year from the duration of the applicable benchmark (e.g., the Barclays Capital Aggregate Bond Index was 6.40 years and 6.61 years at June 30, 2022 and 2021, respectively).

***Investments for the Defined Benefit Plan – Classified Employees:*** To limit interest rate exposure, the defined benefit plan investment policy restricts the average effective duration of the fixed income portfolio to no more than 1 year from the duration of the applicable benchmark (e.g., the Barclays Capital Aggregate Bond Index was 6.40 years and 6.61 years at June 30, 2022 and 2021, respectively).

c. Foreign Currency Risk

***Operating Investments:*** The System’s operating investments include various fixed income, equity, and hedge fund holdings that have foreign currency exposure, with some funds hedging against foreign currency risk. Portfolio foreign currency exposure was $15,687 and $6,622 at June 30, 2022 and 2021, respectively.

Endowment Investments: The System’s endowments are invested in the System MIP. The MIP invests in various fixed income, equity, and hedge funds which have foreign currency exposure, with some funds hedging against foreign currency risk. The endowment investments share of the foreign currency exposure in the MIP was $37,055 and $54,847 at June 30, 2022 and 2021, respectively. This includes $6,650 and $9,822 at June 30, 2022 and 2021, respectively, for investments held for affiliated organizations.

Investments for the Defined Benefit Plan – Classified Employees: Pension investments include various fixed income, equity, and hedge fund holdings that have foreign currency exposure, with some funds hedging against foreign currency risk. Portfolio foreign currency exposure was $3,151 and $4,956 at June 30, 2022 and 2021, respectively.

3. INVESTMENTS - CONTINUED

d. Investment Income

Income related to the **System’s investments** and reported in the accompanying Statements of Revenues, Expenses and Changes in Net Position is as follows:

2022    
 "Net
Gains
(Losses)" "Interest
and
Dividends" "Investment
Fees" "Net
Income
(Loss)"
Endowment investment income and fees  $(20,996)  $1,770   $(949)  $(20,175)
Net loss allocated to annuities payable to others     34 
System endowment net loss     $(20,141)
Reported as endowment return used for operations     $6,154 
Reported as endowment return, net of amount used for operations     (26,295)
System endowment loss     $(20,141)
Operating investments  $(18,697)  $5,962   $(991)  $(13,726)
Lease Receivables  -   41   -   41 
Perkins savings account  -   8   -   8 
Deposits with bond trustees  -   13   -   13 
Total other investment income (loss)  $(18,697)  $6,024   $(991)  $(13,664)
    
2021 Restated    
 "Net
Gains
(Losses)" "Interest
and
Dividends" "Investment
Fees" "Net
Income
(Loss)"
Endowment investment income and fees  $34,619   $1,803   $(963)  $35,459 
Net income allocated to annuities payable to others     (47)
System endowment net income     $35,412 
Reported as endowment return used for operations     $6,006 
Reported as endowment return, net of amount used for operations     29,406 
System endowment income     $35,412 
Operating investments  $17,595   $5,877   $(999)  $22,473 
Lease Receivables  -   40   -   40 
Perkins savings account  -   9   -   9 
Deposits with bond trustees  -   3   -   3 
Total other investment income (loss)  $17,595   $5,929   $(999)  $22,525

See Note 13d for investment returns related to the **Defined Benefit Plan – Classified Employees**.

4. ACCOUNTS, GRANTS, AND PLEDGES RECEIVABLE

Accounts, grants, and pledges receivable include the following at June 30:

 2022   2021  
 Total "Current
Portion" "Noncurrent 
Portion" Total "Current
Portion" "Noncurrent 
Portion"
Student and other accounts receivable  $46,725   $46,200   $525   $45,729   $45,236   $493 
Grants receivable  41,835   37,101   4,734   51,705   48,530   3,175 
Pledges receivable  1,513   812   701   528   106   422 
Total gross receivables  90,073   84,113   5,960   97,962   93,872   4,090 
Less allowance for doubtful accounts  (19,643)  (19,631)  (12)  (19,233)  (19,225)  (8)
Less discount on pledges receivable  (90)  -   (90)  (13)  -   (13)
Total receivables, net  $70,340   $64,482   $5,858   $78,716   $74,647   $4,069

In accordance with GASB Statement No. 35, grants receivable related to the acquisition of capital assets is reported as a noncurrent receivable even though collection is expected within the next twelve months.

5. NOTES AND LEASES RECEIVABLE

Notes and leases receivable include the following at June 30:

 2022   2021 Restated  
 Total "Current
Portion" "Noncurrent 
Portion" Total "Current
Portion" "Noncurrent 
Portion"
      
Perkins loans  $10,422   $-   $10,422   $15,355   $-   $15,355 
Nursing loans  2,095   -   2,095   2,141   -   2,141 
Institutional loans  11,121   -   11,121   11,145   -   11,145 
Leases receivable (a)  3,759   351   3,408   3,699   354   3,345 
Total notes and leases receivable  27,397   351   27,046   32,340   354   31,986 
Less allowance for doubtful accounts  (874)  -   (874)  (885)  -   (885)
Total notes and leases receivable, net  $26,523   $351   $26,172   $31,455   $354   $31,101

Collections of the notes receivable for Perkins, Nursing, and Institutional loans may not be used to pay current liabilities, as the proceeds are restricted for making new loans. Accordingly, these notes receivable are recorded in the accompanying Statements of Net Position as noncurrent assets.

5. NOTES AND LEASES RECEIVABLE - CONTINUED

1. The System, acting as lessor, leases building space for various terms under long-term non-cancelable lease agreements. The original lease terms expire at various dates through 2027 and provide for renewal options (ranging from 1-20 years) which extend them to 2047. During the year ended June 30, 2022, the System recognized $353 and $41 in lease revenue and interest, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based

on defined increases in the Consumer Price Index, subject to certain minimum

increases.

The System leases office space to a related party, and a related lease receivable and

deferred inflow have been recorded. The lease provides for minimum semi annual

lease payments of $13 through January 2030.

Total future minimum lease payments to be received under lease agreements are as

follows:

| **Year Ending June 30:** | **Principal** | **Interest** |
| --- | --- | --- |
| 2023 | $ 351 | $ 40 |
| 2024 | 349 | 37 |
| 2025 | 303 | 34 |
| 2026 | 285 | 32 |
| 2027 | 245 | 29 |
| 2028-2032 | 821 | 115 |
| 2033-2037 | 631 | 73 |
| 2038-2042 | 560 | 29 |
| 2043-2047 | 214 | 5 |
| **Total Payments** | $ 3,759 | $ 394 |

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30 is as follows:

2022     
 "Beginning
Balance Restated" Additions Reclassifications Retirements "Ending
Balance"
Land  $18,376   $-   $-   $-   $18,376 
Library materials  25,687   -   -   -   25,687 
Construction in progress  50,455   114,051   (17,294)  -   147,212 
Total nondepreciable assets  94,518   114,051   (17,294)  -   191,275 
Land improvements  63,597   -   3,498   (306)  66,789 
Buildings & improvements  961,281   -   12,235   (1,199)  972,317 
Equipment  167,685   4,606   1,561   (2,442)  171,410 
Software  35,696   6   -   (101)  35,601 
Right of use assets, buildings (Note 7)  16,490   22,587   -   -   39,077 
Total depreciable assets  1,244,749   27,199   17,294   (4,048)  1,285,194 
Less accumulated depreciation:     
Land improvements  44,688   2,325   -   (297)  46,716 
Buildings & improvements  438,259   27,421   -   (752)  464,928 
Equipment  122,998   10,490   -   (2,295)  131,193 
Software  30,300   1,566   -   (101)  31,765 
Right of use assets, buildings (Note 7)  1,624   2,432   -   -   4,056 
Total accumulated depreciation  637,869   44,234   -   (3,445)  678,658 
Net depreciable assets  606,880   (17,035)  17,294   (603)  606,536 
Total capital assets, net  $701,398   $97,016   $-   $(603)  $797,811

***6. CAPITAL ASSETS - CONTINUED***

Capital asset activity for the year ended June 30 is as follows:

2021 Restated     
 "Beginning
Balance" Additions Reclassifications Retirements "Ending
Balance"
Land  $18,376   $-   $-   $-   $18,376 
Library materials  25,687   -   -   -   25,687 
Construction in progress  23,582   45,985   (19,112)  -   50,455 
Total nondepreciable assets  67,645   45,985   (19,112)  -   94,518 
Land improvements  62,885   -   874   (162)  63,597 
Buildings & improvements  951,171   -   14,674   (4,564)  961,281 
Equipment  164,266   3,978   3,564   (4,123)  167,685 
Software  35,793   -   -   (97)  35,696 
Right of use assets, buildings (Note 7)  10,818   5,672   -   -   16,490 
Total depreciable assets  1,224,933   9,650   19,112   (8,946)  1,244,749 
Less accumulated depreciation:     
Land improvements  42,545   2,304   -   (161)  44,688 
Buildings & improvements  414,066   27,015   -   (2,822)  438,259 
Equipment  115,959   10,674   -   (3,635)  122,998 
Software  28,359   2,005   -   (64)  30,300 
Right of use assets, buildings (Note 7)  -   1,624   -   -   1,624 
Total accumulated depreciation  600,929   43,622   -   (6,682)  637,869 
Net depreciable assets  624,004   (33,972)  19,112   (2,264)  606,880 
Total capital assets, net   $691,649   $12,013   $-   $(2,264)  $701,398

As of June 30, 2022 and 2021, $3,636 and $34,179, respectively, in proceeds from debt issuances remain unspent. These amounts are included in the accompanying Statements of Net Position as part of deposits with bond trustees along with amounts restricted for debt service.

Also remaining unspent as of June 30, 2022 and 2021 is $15,756 and $33,401, respectively, in capital appropriations awarded by the State of Maine. These amounts are not included in the accompanying financial statements because the System has not met all eligibility requirements (e.g., incurred costs).

Both the debt proceeds and capital appropriation monies are earmarked for specific projects, most of which are capital construction projects. As monies are spent on these projects, the costs are included in capital assets in the accompanying Statements of Net Position.

Outstanding commitments on uncompleted construction contracts totaled $69,160 and $52,403 at June 30, 2022 and 2021, respectively.

7. ACCRUED LIABILITIES, LEASE LIABILITIES AND LONG-TERM DEBT

Changes in accrued liabilities, lease liabilities and long-term debt during the year ended June 30 include the following:

2022     
 "Beginning
Balance Restated" Additions Reductions "Ending
Balance" "Current
Portion"
Accrued liabilities:     
Workers' compensation (Note 11)  $2,201   $249   $(524)  $1,926   $533 
Health insurance (Note 11)  6,287   85,666   (85,571)  6,382   6,382 
Postemployment health plan (Note 14)  -   29,255   (11,473)  17,782   - 
Other employee benefit programs (Note 13)  55,538   73,213   (70,950)  57,801   6,896 
Other  34,092   33,722   (31,290)  36,524   34,262 
Total accrued liabilities  $98,118   $222,105   $(199,808)  $120,415   $48,073 
     
Lease liabilities (a)  $15,043   $22,587   $(2,311)  $35,319   $2,311 
Long-term debt:     
Bonds payable (b)  117,502   -   (12,275)  105,227   11,473 
Direct borrowings (b)  47,870   104   (1,308)  46,666   44,282 
Total long-term debt  $165,372   $104   $(13,583)  $151,893   $55,755

Changes in accrued liabilities, lease liabilities and long-term debt during the year ended June 30 include the following:

2021 Restated     
 "Beginning
Balance" Additions Reductions "Ending
Balance" "Current
Portion"
Accrued liabilities:     
Workers' compensation (Note 11)  $2,200   $160   $(159)  $2,201   $553 
Health insurance (Note 11)  6,982   84,540   (85,235)  6,287   6,287 
Postemployment health plan (Note 14)  76,031   29,681   (105,712)  -   - 
Other employee benefit programs (Note 13)  56,307   68,622   (69,391)  55,538   6,039 
Other  21,304   28,727   (15,939)  34,092   31,225 
Total accrued liabilities  $162,824   $211,730   $(276,436)  $98,118   $44,104 
     
Lease liabilities (a)  $10,818   $5,672   $(1,447)  $15,043   $1,591 
Long-term debt:     
Bonds payable (b)  129,582   -   (12,080)  117,502   12,275 
Direct borrowings (b)  5,997   43,106   (1,233)  47,870   1,299 
Total long-term debt  $135,579   $43,106   $(13,313)  $165,372   $13,574

***7. ACCRUED LIABILITIES, LEASE LIABILITIES*** ***AND LONG-TERM DEBT - CONTINUED***

a. Lease Liabilities

The System leases building space for various terms under long-term non-cancelable lease agreements. The original lease terms expire at various dates through 2036 and provide for renewal options (ranging from 1-15 years) which extend them to 2041.

Lease liabilities include one lease with an option to purchase after five years. Monthly installments for FY22 total $4,788 including interest at a rate of 1.02%.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Total future minimum lease payments as of June 30, 2022 are as follows:

| **Year Ending June 30:** | **Principal** | **Interest** |
| --- | --- | --- |
| 2023 | $ 2,311 | $ 363 |
| 2024 | 2,144 | 342 |
| 2025 | 1,989 | 322 |
| 2026 | 2,048 | 301 |
| 2027 | 18,423 | 149 |
| 2028-2032 | 5,795 | 354 |
| 2033-2037 | 2,003 | 105 |
| 2038-2041 | 606 | 25 |
| **Total Payments** | $ 35,319 | $ 1,961 |

As of June 30, 2022 and 2021, right of use lease assets acquired through outstanding leases consisting of building and office space totalled $35,021 (net of $4,056 accumulated amortization) and $14,866 (net of $1,624 accumulated amortization), respectively *(Note 6)*.

***7. ACCRUED LIABILITIES, LEASE LIABILITIES*** ***AND LONG-TERM DEBT - CONTINUED***

b. Bonds Payable and Direct Borrowings

Bonds payable and direct borrowings consist of the following at June 30:

|  | **2022** | **2021** |
| --- | --- | --- |
| **Bonds Payable:** |  |  |
| 2017 Series A Revenue Bonds (original principal of $30,340) Serial bonds, maturing from 2018 to 2026, with annual principal payments from $2,285 to $4,460 and coupon interest rates from 4.0% to 5.0%. Issued to refund 2007A Series Revenue bonds and to provide funding for capital projects. Includes premiums of $637 and $1,073, respectively. | $ 13,032 | $ 17,048 |
| 2015 Series A Revenue Bonds (original principal of $48,450) Serial bonds, maturing from 2016 to 2037, with annual principal payments from $405 to $3,760 and coupon interest rates from 3.0% to 5.0%. Issued to refund 2004A, 2005A, and 2007A Series Revenue bonds and to provide funding for capital projects. Includes premiums of $1,099 and $1,467, respectively. | 35,754 | 38,507 |
| 2013 Series A Revenue Bonds (original principal of $65,255) Serial and Term bonds, maturing from 2014 to 2035, with annual principal payments from $1,275 to $4,425 and coupon interest rates from 2.0% to 5.0%. Issued to refund 2000A, 2003A, 2004A, and 2005A Series Revenue bonds. Includes premiums of $1,568 and $2,063. | 42,818 | 46,233 |
| 2012 Series A Revenue Bonds (original principal of $34,975) Serial and Term bonds, maturing from 2013 to 2033, with annual principal payments from $1,070 to $2,620 and coupon interest rates from 2.0% to 4.0%. Issued to refund balloon on the 2002A Series Revenue bonds and to provide funding for a capital project. Includes premiums of $308 and $374, respectively. | 13,623 | 15,714 |
| Total bonds payable, net | 105,227 | 117,502 |
| **Direct Borrowings:** |  |  |
| TD Bank, N.A.: $43,000 bond anticipation note, Series 2021, monthly interest only payments at .31%, matures July 2022.  The note agreement contains a provision that in an event of default, the Purchaser may declare principal of and interest on the note to be immediately due and payable. In the event of a default, the unpaid principal of the note shall, at the option of the Purchaser, bear interest at the lesser of a rate which is four percentage points per annum greater than that which would otherwise be applicable or the maximum interest rate permitted by applicable law. Late payments will be assessed a 6% late fee. | 43,000 | 43,000 |

b. Bonds Payable and Direct Borrowings - continued

|  | **2022** | **2021** |
| --- | --- | --- |
| University of Maine Foundation: Note payable, secured by equipment, with annual payments of $15, including interest at 4.25%, matured 2022. The promissory note contains a provision that in the event of default of payment, the unpaid balance of the principal shall, at the option of the holder, become immediately due and payable. Any amount due at the time of default, shall accrue interest until payment at the rate of 5% per year. | - | 21 |
| Key Government Finance Inc. (KGF): $832 loan secured by five-year software license agreement, annual payments of $182, including interest at 3.78%, matures July 2023. The loan agreement contains a provision that in the event of default, KGF may exercise one or more of the following remedies in its sole discretion: a) terminate the agreement and all of the UMS’ rights to the software license agreement, b) seek court action to enforce payment, c) cause the Licensor to terminate the license with the UMS, d) declare all unpaid installment payments to be immediately due and payable. Late charges will be assessed on any delinquent payments from the due date of the payment until paid at the rate of 5% per annum or the highest rate permitted by law, whichever is less. | 346 | 510 |
| Efficiency Maine Trust: $2,595 loan for biomass energy project, quarterly principal payments of $65 plus interest at 1.5% beginning in June 2016 and continuing through March 2026.  The promissory note contains a provision that in the event of default, all outstanding principal shall be immediately due and payable, and interest on the unpaid principal balance shall thereafter accrue at an interest rate equal to 12%. | 973 | 1,233 |
| Banc of America Public Capital Corp. (BOAPCC): Master lease purchase agreement, secured by equipment and vehicles, quarterly or semi-annual payments including interest at 1.19% to 4.14%, maturing from October 2022 to May 2037. The master lease purchase agreement contains a provision that in the event of default, BOAPCC has the right, at its sole option, to take one or any combination of the following steps: a) declare all remaining payments due and payable, b) repossess the financed property, c) whatever action at law or in equity may appear necessary or desirable to enforce its rights under the agreement. | 2,347 | 3,106 |
| Total direct borrowings | 46,666 | 47,870 |
| Total bonds payable and direct borrowings | $151,893 | $165,372 |

b. Bonds Payable and Direct Borrowings - continued

Costs associated with the issuance of revenue bonds have been expensed as incurred and included in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Premiums, discounts, and deferred amounts on refunding are being amortized over the life of the respective bond issuances as part of interest expense using the effective interest method.

Principal and interest payments on bonds payable and direct borrowings for the next five years and in subsequent five-year periods are as follows at June 30, 2022:

|  | **Bonds** | **Payable** | **Direct** | **Borrowings** |
| --- | --- | --- | --- | --- |
| **Year Ending June 30:** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2023 | $ 10,395 | $ 4,145 | $ 44,282 | $ 86 |
| 2024 | 10,880 | 3,647 | 1,020 | 40 |
| 2025 | 9,560 | 3,134 | 454 | 20 |
| 2026 | 10,015 | 2,687 | 276 | 13 |
| 2027 | 7,980 | 2,233 | 52 | 10 |
| 2028-2032 | 39,430 | 6,602 | 231 | 40 |
| 2033-2037 | 13,355 | 926 | 351 | 14 |
| **Total Payments** | $ 101,615 | $ 23,374 | $ 46,666 | $ 223 |

Interest costs related to the revenue bonds for FY22 and FY21 were $3,408 and $3,620, respectively.

8. UNEARNED REVENUE AND DEPOSITS

Unearned revenue and deposits as of June 30 consist of the following:

|  | **2022** | **2021 Restated** |
| --- | --- | --- |
| Unearned grant advances | $ 14,618 | $ 6,447 |
| Unearned summer session revenue | 7,730 | 8,014 |
| Other unearned revenue and deposits | 4,546 | 4,608 |
| Total unearned revenue and deposits | $ 26,894 | $ 19,069 |

The System recognizes grant and contract revenue to the extent that it has fulfilled the eligibility requirements (e.g., incurred allowable costs) of the grant or contract award. Some awards pay the System in advance of the System fulfilling its obligations. In such situations, the System reports the cash as an asset and the offset as unearned revenue and deposits, a current liability, in the Statements of Net Position (see unearned grant advances in the above table).

***8. UNEARNED REVENUE AND DEPOSITS - CONTINUED***

The vast majority of grant and contract awards made to the System pay the funds to the System on a reimbursement basis. To the extent that the System has eligible, unreimbursed expenses, it recognizes a grant receivable in the Statements of Net Position. The System excludes from its financial statements the portion of an award not currently reimbursable because the System has not yet met the eligibility requirements. As of June 30, 2022 and 2021, the portion of outstanding awards excluded from the financial statements totaled $71,848 and $127,831, respectively.

9. GOVERNMENT ADVANCES REFUNDABLE

The System participates in the Federal Perkins Loan and Nursing Loan Programs. These programs are funded through a combination of federal and institutional resources. The portion of these programs that has been funded with federal funds is ultimately refundable to the U.S. Government upon the termination of the System’s participation in the programs. The portion that would be refundable if the programs were terminated as of June 30, 2022 and 2021 has been included in the accompanying Statements of Net Position as a noncurrent liability.

10. NET POSITION

The System’s net position is composed of the following as of June 30:

|  | **2022** | **2021**  **Restated** |
| --- | --- | --- |
| Net investment in capital assets | $ 588,972 | $ 548,693 |
| Restricted - Nonexpendable: |  |  |
| Endowment funds | 71,249 | 69,149 |
| Restricted - Expendable: |  |  |
| Student financial aid | 52,241 | 63,081 |
| Capital assets and retirement of debt | 21,414 | 1,340 |
| Loans | 17,096 | 17,391 |
| Academic support | 16,917 | 17,946 |
| Research and public service | 11,675 | 11,011 |
| Library | 4,059 | 4,519 |
| Other | 24,017 | 28,316 |
| Total restricted - expendable | 147,419 | 143,604 |
| Unrestricted: |  |  |
| Educational and general reserves | 84,551 | 88,619 |
| Risk management | 3,603 | 3,888 |
| Budget stabilization | 4,873 | 21,500 |
| Auxiliary enterprises | 7,643 | 1,253 |
| Benefit pool carryover | 28,732 | 28,286 |
| Implementation of GASB 75 for OPEB | (33,795) | (33,795) |
| Information technology initiatives | 2,695 | 1,120 |
| Internally designated projects | 21,499 | 8,632 |
| Facility projects | 36,418 | 36,772 |
| Quasi endowment corpus | 11,347 | 13,398 |
| Endowment appreciation | 5,836 | 7,299 |
| Cost sharing and other | (11,428) | 5,099 |
| Total unrestricted | 161,974 | 182,071 |
| Total Net Position | $ 969,614 | $ 943,517 |

11. COMMITMENTS AND CONTINGENCIES

a. Grant Program Involvement

The System participates in a number of federal programs subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the System does not expect these amounts, if any, to be material to the financial statements.

b. Risk Management – Insurance Programs

The System is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries; environmental pollution and natural disasters. The System manages these risks through a combination of commercial insurance policies purchased in the name of the System, a large deductible all-risk property insurance program and a self-insured retention program for physical damage to vehicles and mobile equipment.

The System’s retention obligation for the general liability and vehicle liability is capped at $400 per claim, with an aggregate limit of $20,000 per year. Educator’s legal liability risks are subject to a $200 per loss retention with an aggregate limit of $25,000. The System’s estimate of the amount payable under these retention levels has been included in the accompanying Statements of Net Position as part of current accrued liabilities. As of June 30, 2022 and 2021 certain legal claims existed for which the probability or amount of payment could not be determined. The System, however, does not expect these amounts, if any, to be material to the financial statements.

At October 1, 2016, the System moved from a self-funded workers’ compensation model to commercial insurance. The liability for pre-existing unpaid claims is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The System’s estimated liability at June 30, 2022 and 2021 of $1,926 and $2,201, respectively, for pre-existing workers’ compensation claims is included in accrued liabilities in the accompanying Statements of Net Position (see Note 7). The System now purchases commercial workers’ compensation insurance which limits UMS’ insurable exposure for any one incident to $1.5.

The System’s active employee and under age 65 retiree health plans are self-funded with an Administrative Services Only (ASO) agreement with a commercial carrier.  The System purchases stop-loss insurance which limits the exposure to $1,000 per individual. For retirees who are Medicare eligible, effective for calendar year 2021, the System began offering two health plan options. The legacy option is a fully insured Medicare Advantage Private Fee for Service program with a commercial carrier. The new option is a Medicare Exchange program including a funded Health Reimbursement Account (HRA). As of June 30, 2022 and 2021, the estimated liability for claims incurred but not reported is included in total health insurance accrued liabilities in the accompanying Statements of Net Position (see Note 7).

***11. COMMITMENTS AND CONTINGENCIES - CONTINUED***

The System’s health insurance liability at June 30 consists of the following:

|  | **2022** | **2021** |
| --- | --- | --- |
| Claims incurred but not reported | $ 5,418 | $ 5,382 |
| Reported claims | 964 | 905 |
| Total health insurance liability *(Note 7)* | $ 6,382 | $ 6,287 |

Related to the System’s self-insured health plan, certain collective bargaining agreements with System employees provide for a health insurance ‘premium rebate’ in the event that the total aggregate premium amount for the applicable two-year period (the “calculation period”) exceeds, by a stated percentage, the total aggregate costs paid for claims and other expenses for the same period. Throughout each calculation period, the System receives periodic reports on how actual costs are trending in relation to the premiums; however, probability of a rebate cannot be determined until the end of the calculation period, which is December 31, 2022.  As of June 30, 2022 and 2021 the estimated liability for the premium rebate of $0 and $2,750, respectively, has been included in the accompanying Statements of Net Position as a current liability.

12. PASS THROUGH GRANTS

During FY22 and FY21, the System distributed $96,450 and $103,358, respectively, for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

13. PENSION PLANS

The System has several single-employer pension plans, each of which is described in more detail below. The System’s pension (income)/expense for each of these plans was as follows for the years ended June 30:

|  | **2022** | **2021** |
| --- | --- | --- |
| Faculty and Professional Employees: |  |  |
| Contributory retirement plan | $ 24,046 | $ 22,602 |
| Incentive retirement plan | 1,315 | 1,526 |
| Hourly Employees: |  |  |
| Basic retirement plan | 3,353 | 3,201 |
| Defined benefit plan (Income)/Expense | 1,014 | (216) |
| Total net pension expense | $ 29,728 | $ 27,113 |

13a. Contributory Retirement Plan - Faculty and Professional Employees

Eligible salaried employees participate in the University of Maine System Retirement Plan for Faculty and Professional Employees (Contributory Plan), a defined contribution retirement plan administered by the Teachers Insurance and Annuity Association of America (TIAA). The Board of Trustees and collective bargaining agreements establish benefit terms and mandatory employee and employer contribution rates.

All full-time employees are eligible once employment begins. Part-time employees are eligible upon achieving the equivalent of five years of continuous, full-time, regular service. All eligible employees are required to participate when they reach thirty years of age. The System contributes an amount equal to 10% of each participant’s base salary and each participant contributes 4% of base salary. Participants may make additional voluntary contributions up to limits allowable by the Internal Revenue Service. The System has a five-year vesting schedule for the employer matching contribution for certain salaried employees hired on or after January 1, 2010. All participant contributions are fully and immediately vested.

Effective June 1, 2014, TIAA became the sole record-keeper for the Contributory Retirement Plan. Upon separation from the System, participants may withdraw up to 100% of their vested account balances or transfer funds to other investment alternatives subject to Internal Revenue Service limitations and the contractual provisions of the Contributory Plan.

Employee contributions made to the Contributory Plan were $9,618 in FY22 and $9,042 in FY21.

b. Incentive Retirement Plan – Faculty and Professional Employees

**Plan Description**

***Plan Administration:*** The Incentive Retirement Plan is a single employer plan administered by the System. The Plan does not issue standalone financial statements.

***Benefits Provided:*** Represented faculty who were employed before July 1, 1996 and other professional employees who were employed before July 1, 2006 participate in the University of Maine System Incentive Retirement Plan (Incentive Plan), a defined benefit plan, which was established on July 1, 1975. The Board of Trustees has authority to establish and amend provisions under the Incentive Plan subject to collective bargaining.

The Incentive Plan provides that eligible retiring employees with at least 10 years of continuous regular full-time equivalent service immediately prior to retirement will receive a benefit equivalent to 1½% times their completed years of service (up to a maximum of 27 years) times their final annual base salary. This amount is to be paid as a lump-sum contribution to the participant’s retirement account. Employees may elect to retire at any age on or after 55.

***Plan Membership:*** At June 30, 2022 and 2021, active plan participants consisted of 699 and 794, respectively.

13b. Incentive Retirement Plan – Faculty and Professional Employees - continued

***Contributions:*** The Incentive Plan is funded on a terminal funding basis - funded when costs become due and payable. Employees do not make contributions under the Incentive Plan.

**Net Pension Liability**

The total pension liability related to the Incentive Plan at the measurement date of June 30, 2022 and 2021 was $19,090 and $21,208, respectively. The fiduciary net position as a percentage of the total pension liability was 0.00% as this plan has no assets. The total pension liability as of June 30, 2022 and 2021 was determined by an actuarial valuation as of July 1, 2021 rolled forward to the measurement date of June 30, 2022 and as of July 1, 2021, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method Entry age normal

Inflation Not explicitly assumed

Salary increases 3.5% per year, including longevity

Discount rate 3.54% as of June 30, 2022

2.16% as of June 30, 2021

Life expectancy 2022 and 2021: Mortality rates were based on the Pub-2010 Mortality Table projected with Scale MP-2020

***Discount rate*:** GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,*  requires projected benefit payments be discounted to their actuarial present value using a tax-exempt, high-quality municipal bond rate.

For the Incentive Plan, which does not hold assets, the total pension liability is based on the discount rate of 3.54% and 2.16% as of June 30, 2022 and 2021, respectively. The rates are based on the municipal bond rates as of the measurement dates. The municipal bond rates for 2022 and 2021 are based on the Bond Buyer 20-Bond General Obligation (GO) Index published for the weeks of June 30, 2022 and June 30, 2021, respectively.

***13b. Incentive Retirement Plan – Faculty and Professional Employees - continued***

***Sensitivity of the net pension liability to changes in the discount rate:*** The following table presents the total pension liability as of June 30, calculated using the respective current discount rate as well as using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

|  |  | **June 30, 2022** | | |  |  | | **June 30, 2021** | | | | |  | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1%  Decrease | | Current Discount  Rate | 1%  Increase | | | 1% Decrease | | Current Discount  Rate | | 1%  Increase | | |
|  | (2.54%) | | (3.54%) | (4.54%) | | | (1.16%) | | (2.16%) | | (3.16%) | | |
| Total pension liability | $19,667 | | $19,090 | $18,510 | | | $21,844 | | | $21,208 | | $20,552 | |

Changes in Total Pension Liability for the **Incentive Retirement Plan**:

| **Fiscal Year Ended June 30** | **2022** | **2021** |
| --- | --- | --- |
| Total pension liability – beginning | $ 21,208 | $ 21,049 |
| Changes for the year: |  |  |
| Service cost | 616 | 692 |
| Interest | 446 | 456 |
| Differences between expected and actual experience | - | 833 |
| Changes of assumptions and other inputs | (792) | 376 |
| Benefit payments | (2,388) | (2,198) |
| Total pension liability – ending (a) | 19,090 | 21,208 |
| Fiduciary net position – beginning | - | - |
| Contributions – employer | 2,388 | 2,198 |
| Benefit payments | (2,388) | (2,198) |
| Fiduciary net position – ending (b) | - | - |
| Net pension liability – ending (a)-(b) | $ 19,090 | $ 21,208 |
| Plan fiduciary net position as a percentage of the total pension liability | 0.00% | 0.00% |
| Covered payroll | $ 59,119 | $ 62,646 |
| Net pension liability as a percentage of covered payroll | 32.29% | 33.85% |
| Contributions as a percentage of covered payroll | 4.04% | 3.51% |
|  |  |  |

13c. Basic Retirement Plan - Classified Employees

The Basic Retirement Plan (Basic Plan) is a single employer defined contribution plan (DC Plan) administered by the System and does not issue standalone financial statements. This DC Plan was created on July 1, 1998 in accordance with Section 403(b) of the Internal Revenue Code. Classified employees hired July 1, 1998 or later participate in this DC Plan.

Eligible employees who were hired before July 1, 1998 could elect to roll over to the DC Plan the value of their accrued benefit in the Defined Benefit Retirement Plan for Classified Staff (DB Plan), as described further below, or remain in the DB Plan. Eligible employees that remained in the DB Plan and were age 50 and over on June 30, 1998 would continue to accrue additional benefits while the value of the benefit for those under age 50 would remain static. The majority of those under age 50 chose to roll over the value of their accrued benefit to the DC Plan.

Full-time employees are eligible to participate in the DC Plan once employment begins. Part-time employees are eligible once they achieve the equivalent of five years of continuous, full-time regular service. Since June 1, 2014, all contributions have been directed to TIAA as the sole record-keeper.

Employees hired prior to July 1, 1998 and who have more than five years of completed service may voluntarily contribute up to 4% of base pay to the DC Plan and receive a 100% match from the System. Employees hired July 1, 1998 or later are required to contribute 1%. Employee contributions to the DC Plan of up to 4% of base pay are matched 100% by the System. In addition, employees who have four or more years of completed service and do not participate in the DB Plan, receive System contributions equal to 6% of their base pay, for a total maximum employer contribution of 10%.

Employees hired before January 1, 2010 were fully and immediately vested in the employer matching contribution. The System implemented a four-year vesting schedule for the employer matching contribution for classified employees hired on or after January 1, 2010 and, on January 1, 2013, implemented a five-year vesting schedule for employer matching contributions. All participant contributions are fully and immediately vested.

Upon separation from the System, participants may withdraw up to 100% of their vested account balances or transfer funds to other investment alternatives subject to Internal Revenue Service limitations and the contractual provisions of the Basic Plan.

Employee contributions made to the Basic Plan were $1,422 in FY22 and $1,346 in FY21.

13d. Defined Benefit Plan – Classified Employees

**Plan Description**

***Plan Administration:*** The Defined Benefit Plan (the Plan) is a single employer plan administered by the System. The Plan does not issue standalone financial statements. The Plan is maintained for eligible classified employees who chose not to join the Basic Plan.

The System’s Board of Trustees has authority to establish or amend provisions of all classified employee plans, including contribution requirements, subject to collective bargaining agreements.

***Benefits Provided:*** Participants are eligible for normal retirement benefits upon attaining age 65 and retirement. The monthly retirement benefit is based on a formula specified by policy in collective bargaining agreements. Eligible employees receive the sum of:

1. 1.25% or 1.50% (based on years of service) of the participant’s average annual compensation times credited service (up to a maximum of 30 years); plus
2. 1.25% or 1.50% (based on years of service) of the participant’s unused sick leave.

Participants are eligible for early retirement benefits upon the attainment of age 55 and completion of five years of continuous service. The benefit is computed in accordance with the normal retirement age benefit, but is reduced by an actuarial factor because benefits will be paid over a longer period of time. No reduction is made if an employee retires after attaining 62 years of age with 25 or more years of service. Participants are also eligible for disability and death benefits.

Employees who participate in the Plan may also participate in the Optional Retirement Savings Plan (ORSP). The ORSP is a voluntary, employee-funded defined contribution plan. Employees may contribute up to 4% of their base pay and receive a 100% match from the System. The ORSP is administered by TIAA.

***Plan Membership:*** The Plan is closed to new entrants. At June 30, pension plan membership consisted of the following:

|  | **2022** | **2021** |
| --- | --- | --- |
| Inactive plan participants or beneficiaries currently receiving benefits | 669 | 700 |
| Inactive plan participants entitled to but not yet receiving benefits | 187 | 191 |
| Active plan participants | 1 | 2 |
| Total plan participants | 857 | 893 |

***13d. Defined Benefit Plan – Classified Employees – continued***

***Contributions:*** The System adopted a funding strategy for the Plan on February 27, 2014. The System’s funding strategy follows a long-term contribution schedule, such that a level annual dollar amount will be contributed to the plan indefinitely, while never allowing the Plan's assets to be depleted. The actuarially determined annual projected contribution to the Plan is $948 through and including FY52, at which point the projected fiduciary net position is estimated to be sufficient to meet annual benefit payments. The required employer contribution will be re-determined with each actuarial valuation as market performance and other factors will impact the required funding amount. Funding the Plan over the long-term allows the System to minimize contribution volatility.

Employees do not make contributions under this Plan.

**Plan Investments**

***Method Used to Value Investments:*** Investments are reported at fair value. See Note 3 for information related to the fair value measurement, interest rate risk, and foreign currency risk associated with the Plan’s investments.

***Investment Policy:*** The Plan’s investments are diversified both by asset class and within asset classes. To have a reasonable probability of consistently achieving the Plan’s return objectives, the following asset allocation policy ranges were in effect as of June 20, 2022 and 2021:

|  | **2022** |  | **2021** |
| --- | --- | --- | --- |
| Equity securities | 25-45% |  | 25-45% |
| Fixed income securities | 35-55% |  | 35-55% |
| Other | 15-35% |  | 15-35% |
| Cash | 0-10% |  | 0-10% |

***Rate of Return:*** For the years ended June 30, 2022 and 2021, the annual money-weighted rate of return, net of investment expenses, was -7.21% and 15.86%, respectively.

**Net Pension Liability**

The components of the net pension liability at the measurement date of June 30 were as follows:

|  | **2022** | **2021** |
| --- | --- | --- |
| Total pension liability | $ 32,044 | $ 33,840 |
| Fiduciary net position | (20,392) | (25,291) |
| Net pension liability | $ 11,652 | $ 8,549 |
| Fiduciary net position as a percentage of the total pension liability | 63.6% | 74.7% |

For purposes of determining fiduciary net position, benefits are recorded when paid.

***13d. Defined Benefit Plan – Classified Employees – continued***

***Actuarial Assumptions:*** The total pension liability as of June 30, 2022 and 2021 was determined by an actuarial valuation as of July 1, 2021 rolled forward to the measurement date of June 30, 2022 and as of July 1, 2021, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method Entry age normal

Actuarial asset method The actuarial value of assets is the market value of assets

Inflation 2.5% as of June 30, 2022 and 2021

Salary increases 3.5% for all years

Investment rate of return 6.25% net of investment expenses, including inflation

Life expectancy Pre-retirement and post-retirement mortality rates were based on the Pub-2010 amount-weighted Mortality Table with Scale MP-2020. For disabled lives, the mortality rates were based on the Pub-2010 amount-weighted Disabled Mortality Table with Scale MP-2020.

The long-term expected rate of return on the Plan’s investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocationpercentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30 are summarized in the following table:

|  |  | **2022** |  | **2021** |
| --- | --- | --- | --- | --- |
| **Asset Class** | **Target Allocation** | **Long-Term  Expected Real  Rates of Return** | **Target Allocation** | **Long-Term  Expected Real  Rates of Return** |
| Global Equity | 30% | 5.20% | 30% | 4.40% |
| Emerging Market Equity | 3% | 7.10% | 3% | 6.10% |
| Fixed Income | 43% | 1.82% | 43% | 0.97% |
| Global Asset Allocation | 8% | 3.60% | 8% | 2.30% |
| Real Estate | 8% | 2.70% | 8% | 3.10% |
| Alternative Investments | 5% | 3.80% | 5% | 3.10% |
| Cash | 3% | 0.40% | 3% | -0.10% |
| Total | 100% |  | 100.% |  |

***13d. Defined Benefit Plan – Classified Employees - continued***

***Discount Rate*:** GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires that projected benefit payments be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's assets are sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

For the Plan, the discount rate used to measure the total pension liability at June 30, 2022 and 2021 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from the System will be made in accordance with the Plan’s funding policy adopted on February 27, 2014. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan participants. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

***Sensitivity of the net pension liability to changes in the discount rate:***The following presents the net pension liability as of June 30 calculated using the discount rate of 6.25%, as well as using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

|  |  | **June 30, 2022** | | |  | |  | **June 30, 2021** | | |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1%  Decrease (5.25%) | | Current Discount  Rate  (6.25%) | 1%  Increase (7.25%) | | 1%  Decrease (5.25%) | | | Current Discount  Rate  (6.25%) | 1%  Increase (7.25%) | |
| Total pension liability | $ 34,202 | | $ 32,044 | $ 30,134 | | $ 36,194 | | | $ 33,840 | $ 31,762 | |
| Fiduciary net position | 20,392 | | 20,392 | 20,392 | | 25,291 | | | 25,291 | 25,291 | |
| Net pension liability | $ 13,810 | | $ 11,652 | $ 9,742 | | $ 10,903 | | | $ 8,549 | $ 6,471 | |

***13d. Defined Benefit Plan – Classified Employees - continued***

Changes in Net Pension Liability for the **Defined Benefit Pension Plan**:

| **Fiscal Year Ended June 30** | **2022** | **2021** |
| --- | --- | --- |
| Total pension liability – beginning | $ 33,840 | $ 36,318 |
| Changes for the year: |  |  |
| Service cost | 1 | 1 |
| Interest | 1,996 | 2,148 |
| Differences between expected and actual experience | - | (285) |
| Changes of assumptions | - | (426) |
| Benefit payments | (3,793) | (3,916) |
| Total pension liability – ending (a) | 32,044 | 33,840 |
| Fiduciary net position – beginning | 25,291 | 24,609 |
| Contributions – employer | 672 | 907 |
| Net investment income | (1,760) | 3,704 |
| Benefit payments | (3,793) | (3,916) |
| Administrative expenses | (18) | (13) |
| Fiduciary net position – ending (b) | 20,392 | 25,291 |
| Net pension liability – ending (a)-(b) | $ 11,652 | $ 8,549 |
| Plan fiduciary net position as a percentage of the total pension liability | 63.64% | 74.74% |
| Covered payroll | $ 48 | $ 65 |
| Net pension liability as a percentage of covered payroll | 24138.26% | 13158.91% |
| Contributions as a percentage of covered payroll | 1392.86% | 1396.00% |
| Plan assets measured at fair value | $ 20,392 | $ 25,291 |

e. Funding of Basic and Defined Benefit Plans – Classified Employees

While the Basic Plan and Defined Benefit Plan are administratively separate, they are both part of the Retirement Plan for Classified Employees and are covered by the same plan document. In accordance with Section 414(k) of the Internal Revenue Code, the System may elect to fund employer contributions to the Basic Plan and ORSP from any excess assets in the Defined Benefit Plan, subject to certain limitations.

f. Early retirement incentives

In FY22, the System offered early retirement incentives to eligible faculty members who made the election to retire during FY23. Eligibility was based on the member attaining the age of 62 and having 10 or more years of consecutive service at the time of retirement; or age 60 or older and having 20 or more years of service. The incentives are equal to 100% of the employee’s annual salary and is to be paid as a lump-sum contribution to the participant’s retirement account in FY23 unless the retirement date is deferred upon request of the System’s administrators. The estimated cost of the payments, reported in the System’s liabilities, is $9,657.

14. POSTEMPLOYMENT HEALTH PLAN

**Plan Description**

***Plan Administration:*** The Other Postemployment Benefits (OPEB) Health Plan (“OPEB Plan”) is a defined benefit, single employer plan, administered by the System. The OPEB Plan does not produce standalone financial statements. Within certain limits, the Board of Trustees has authority to establish and amend provisions under the Plan for retirees. This authority is subject to collective bargaining agreements for active employees.

***Plan Benefits:*** System retirees at or above the normal retirement age of 65 with at least ten years of continuous full-time regular university service immediately prior to retirement, and who are in the System health plan upon retirement, are eligible for post-retirement health coverage. This coverage is also extended to those former eligible employees who receive benefits under the System’s long-term disability (LTD) insurance and to widows/widowers of university employees and retirees. Employees who retire on or after April 1, 2008 and former employees receiving LTD benefits will have a one-time election to cease coverage under the System health plan and later reenroll for coverage provided continuous coverage is documented.

The System Medicare eligible retiree health plan options include a Medicare Exchange program with an HRA and a group health plan which subsidizes the cost of insurance for eligible persons who are retired from the System and have reached age 65, who are under age 65 and are part of a special retirement incentive program, and who are former employees and approved for LTD benefits regardless of age or years of service. The level of subsidy may vary depending on plan selected, retirement incentive programs, retirement date and years of service. The System also provides a subsidy for eligible spouses and dependents. With certain restrictions, spouses and dependents are eligible to continue coverage after the death of a retiree meeting the above criteria.

Persons eligible for a subsidy from the System may not convert their benefit into an in-lieu-of payment to secure coverage under independent plans.

The System’s OPEB (income)/expense for June 30, 2022 and 2021 was $3,444 and $(46,390), respectively.

***Plan membership:*** At June 30, OPEB Plan membership consisted of the following:

|  | **2022** | **2021** |
| --- | --- | --- |
| Inactive plan participants or beneficiaries currently receiving benefits | 2,166 | 2,137 |
| Active plan participants | 4,036 | 4,014 |
| Total plan participants | 6,202 | 6,151 |

***14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED***

***Contributions:*** The System annually contributes an actuarially determined contribution to a Trust, based on the results of the most recent actuarial valuation.

Funding the OPEB Plan over the long-term allows the System to smooth market impacts, limiting contribution volatility. The required contribution amount will be re-determined with each actuarial valuation as market performance and other factors will impact the required future funding.

**Plan Investments**

Assets of the OPEB Plan are invested in the System’s managed investment pool. See Notes 1f and 3 for more information on the pool and the OPEB Plan’s share.

**Net OPEB Liability**

The components of the net OPEB liability at June 30 were as follows:

|  | **2022** | **2021** |
| --- | --- | --- |
| Total OPEB liability | $173,794 | $162,212 |
| Fiduciary net position | (156,012) | (180,270) |
| Net OPEB liability (asset) | $ 17,782 | $(18,058) |
| Fiduciary net position as a percentage of the total OPEB liability | 89.77% | 111.13% |

***14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED***

***Actuarial Assumptions:*** The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2021. The results of the June 30, 2022 measurement date are based on a roll forward of the liabilities developed for the June 30, 2021 valuation. The following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method Entry age normal

Actuarial asset method Market value

Inflation 2.4% as of June 30, 2022; 2.2% as of June 30, 2021

Investment rate of return 7.25% net of investment expenses, including inflation as of June 30, 2022 and 2021

Healthcare cost trend rate 6% for 2021 decreasing .25% per year to 5.25%, then grading down to an ultimate trend rate of 4%, utilizing

the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075

Prescription drug trend rates 6.5% for 2021, decreasing .25% per year to an ultimate

(Catastrophic prescription trend rate of 5 percent.

Drug HRA)

Life expectancy Pre-retirement and post-retirement mortality rates were based on the Pub-2010 headcount-weighted Mortality Table projected with fully generational mortality improvement using Scale MP-2020.

For disabled lives, the mortality rates were based on the Pub-2010 headcount-weighted Disabled Mortality Table projected with fully generational mortality improvement using Scale MP-2020.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

***14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED***

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30 are summarized in the following table:

|  |  | **2022** |  | **2021** |
| --- | --- | --- | --- | --- |
| **Asset Class** | **Target Allocation** | **Long-Term Expected Real Rate of Return** | **Target Allocation** | **Long-Term Expected Real Rate of Return** |
| Large Cap Equities | 22.0% | 4.40% | 22.0% | 3.80% |
| Domestic Small/Mid Cap | 6.0% | 5.00% | 6.0% | 3.90% |
| International Equities | 10.0% | 4.50% | 10.0% | 3.80% |
| International Small Cap Equities | 4.0% | 5.30% | 4.0% | 4.10% |
| Emerging Market Equities | 3.5% | 7.00% | 3.5% | 5.90% |
| Emerging Small Cap Market Equities | 3.5% | 7.10% | 3.5% | 6.10% |
| Global Equity | 10.0% | 5.20% | 10.0% | 4.40% |
| Domestic Core Bonds | 9.5% | 1.50% | 9.5% | 0.70% |
| TIPS | 3.5% | 1.10% | 3.5% | 0.20% |
| Short-term TIPS | 3.5% | 0.70% | 3.5% | 0.00% |
| Bank Loans | 5.0% | 3.80% | 5.0% | 2.80% |
| Absolute Return Fixed Income | 5.0% | 2.80% | 5.0% | 1.80% |
| Global Asset Allocation | 7.5% | 3.60% | 7.5% | 2.30% |
| Hedge Funds | 7.0% | 3.80% | 7.0% | 3.10% |
| Total | 100% |  | 100% |  |

***Discount Rate*:** Projected benefit payments are required to be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on OPEB Plan investments to the extent that the OPEB Plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB Plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

The discount rate used to measure the total OPEB liability at the measurement dates of June 30, 2022 and 2021 was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from the System will be made in accordance with the OPEB Plan’s funding policy. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED***

***Sensitivity of the net OPEB liability to changes in the discount rate:***The following presents the net OPEB liability as of June 30, calculated using the respective current discount rate as well as using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

|  |  | **June 30, 2022** | | |  |  | **June 30, 2021** | | |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1% Decrease | | Current Discount Rate | 1% Increase | | 1%  Decrease | | Current Discount  Rate | 1%  Increase | |
|  | (6.25%) | | (7.25%) | (8.25%) | | (6.25%) | | (7.25%) | (8.25%) | |
| Total OPEB liability | $194,701 | | $173,794 | $156,357 | | $182,043 | | $162,212 | $145,667 | |
| Fiduciary net position | 156,012 | | 156,012 | 156,012 | | 180,270 | | 180,270 | 180,270 | |
| Net OPEB liability (asset) | $ 38,689 | | $ 17,782 | $ 345 | | $ 1,773 | | $(18,058) | $(34,603) | |

***Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:***The following presents the net OPEB liability as of June 30, calculated using the respective current healthcare cost trend rates as well as using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

|  |  | **June 30, 2022** | | |  |  | **June 30, 2021** | | |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1%  Decrease  5% Year 1 Decreasing to 3% | | Healthcare Cost TrendRates6% Year 1 Decreasing to 4% | 1%  Increase  7% Year 1 Decreasing to 5% | | 1%  Decrease  5% Year 1 Decreasing to 3% | | Healthcare Cost TrendRates6% Year 1 Decreasing to 4% | 1%  Increase  7% Year 1 Decreasing to 5% | |
| Total OPEB liability | $153,076 | | $173,794 | $199,108 | | $143,919 | | $162,212 | $184,474 | |
| Fiduciary net position | 156,012 | | 156,012 | 156,012 | | 180,270 | | 180,270 | 180,270 | |
| Net OPEB liability (asset) | $ (2,936) | | $ 17,782 | $ 43,096 | | $(36,351) | | $(18,058) | $ 4,204 | |

***14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED***

Changes in the net OPEB liability:

| **Fiscal Year Ended June 30** | **2022** | **2021** |
| --- | --- | --- |
| Total OPEB liability – beginning | $ 162,212 | $ 213,431 |
| Changes for the year: |  |  |
| Service cost | 6,150 | 6,964 |
| Interest | 11,969 | 15,725 |
| Changes of benefit terms | - | (49,469) |
| Differences between expected and actual experience | - | (8,908) |
| Changes of assumptions | - | (8,539) |
| Benefit payments | (6,537) | (6,992) |
| Total OPEB liability (asset) – ending (a) | 173,794 | 162,212 |
| Fiduciary net position – beginning | 180,270 | 137,400 |
| Contributions – employer | 4,937 | 12,473 |
| Net investment income (loss) | (22,658) | 37,389 |
| Benefit payments | (6,537) | (6,992) |
| Fiduciary net position – ending (b) | 156,012 | 180,270 |
| Net OPEB liability (asset)– ending (a)-(b) | $ 17,782 | $ (18,058) |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 89.77% | 111.13% |
| Covered payroll | $ 267,061 | $ 258,827 |
| Net OPEB liability (asset) as a percentage of covered employee payroll | 6.66% | -6.98% |
| Contributions as a percentage of covered payroll | 1.85% | 4.82% |
| Plan assets measured at fair value | $ 156,012 | $ 180,270 |

15. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30 is summarized as follows:

2022       
 "Pension
Liability" OPEB "Deferred
Amount
on Debt
Refunding" "Irrevocable 
Split-Interest 
Agreements" "Service 
Concession 
Arrangement" Leases Total
Deferred outflows of resources  $3,456   $25,070   $3,181   $-   $-   $-   $31,707 
Deferred inflows of resources  $993   $27,319   $-   $470   $4,196   $3,759   $36,737 
2021 Restated       
 "Pension
Liability" OPEB "Deferred
Amount
on Debt
Refunding" "Irrevocable 
Split-Interest 
Agreements" "Service 
Concession 
Arrangement" Leases Total
Deferred outflows of resources  $2,662   $11,514   $3,460   $-   $-   $-   $17,636 
Deferred inflows of resources  $1,916   $51,094   $-   $847   $4,708   $3,700   $62,265

Deferred outflows of resources and deferred inflows of resources for pensions and OPEB were related to the following sources for the year ended June 30:

**2022**

|  | Incentive Retirement Plan | Defined Benefit Plan | Total Pension | OPEB |
| --- | --- | --- | --- | --- |
| Deferred outflows of resources |  |  |  |  |
| Changes of assumption or other inputs | $ 1,120 | $ - | $ 1,120 | $ 8,290 |
| Difference between expected and actual experience | 794 | - | 794 | - |
| Net difference between projected and actual earnings on plan investments | - | 1,542 | 1,542 | 16,780 |
| Total deferred outflows of resources | 1,914 | 1,542 | 3,456 | 25,070 |
| Deferred inflows of resources |  |  |  |  |
| Changes of assumption or other inputs | 846 | - | 846 | 6,035 |
| Difference between expected and actual experience | 147 | - | 147 | 21,284 |
| Total deferred inflows of resources | 993 | - | 993 | 27,319 |
| Net deferred outflows (inflows) | $ 921 | $ 1,542 | $ 2,463 | $(2,249) |

***15. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES – CONTINUED***

Deferred outflows of resources and deferred inflows of resources for pensions and OPEB were related to the following sources for the year ended June 30:

**2021**

|  | Incentive Retirement Plan | Defined Benefit Plan | Total Pension | OPEB |
| --- | --- | --- | --- | --- |
| Deferred outflows of resources |  |  |  |  |
| Changes of assumption or other inputs | $1,560 | $ - | $ 1,560 | $ 11,514 |
| Difference between expected and actual experience | 1,102 | - | 1,102 | - |
| Total deferred outflows of resources | 2,662 | - | 2,662 | 11,514 |
| Deferred inflows of resources |  |  |  |  |
| Changes of assumption or other inputs | 296 | - | 296 | 7,287 |
| Difference between expected and actual experience | 401 | 1,219 | 1,620 | 29,598 |
| Net difference between projected and actual earnings on plan investments | - | - | - | 14,209 |
| Total deferred inflows of resources | 697 | 1,219 | 1,916 | 51,094 |
| Net deferred outflows (inflows) | $1,965 | $(1,219) | $ 746 | $(39,580) |

Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense and postemployment health expense, respectively, during the years ending June 30 as follows:

| Year Ending June 30: | Incentive Retirement Plan | Defined Benefit Plan | Total Pension | OPEB |
| --- | --- | --- | --- | --- |
| 2023 | $ 371 | $ 401 | $ 772 | $(1,559) |
| 2024 | 263 | 283 | 546 | (1,344) |
| 2025 | 224 | 205 | 429 | (2,560) |
| 2026 | 166 | 653 | 819 | 5,313 |
| 2027 | (62) | - | (62) | (2,099) |
| Thereafter | (41) | - | (41) | - |
|  | $ 921 | $ 1,542 | $ (2,463) | $(2,249) |

16. COMPONENT UNITS

The System is supported in part by several foundations and alumni associations that raise funds on the System’s behalf. The System determined that one of those entities, the University of Maine Foundation (“the Foundation”), meets the criteria set forth under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, for inclusion as a discretely presented component unit of the System.

The Foundation is a legally separate, tax-exempt organization, which acts primarily as a fund-raising organization to supplement the resources that are available to the System in support of its programs. The Board of Directors of the Foundation is self-perpetuating and independent of the System’s Board of Trustees. Although the System does not control the timing or amount of receipts from the Foundation, the Foundation holds and invests resources almost entirely for the System’s benefit (specifically the University of Maine); the System is entitled to access a majority of the economic resources held; and the economic resources held are “significant to the System” based on a 5% of net position threshold. During 2021 the Foundation changed their fiscal year end from June 30, 2021 to December 31, 2021 and has accordingly been discretely presented as a component unit of the System in the accompanying financial statements as of and for the six months and year ended December 31, 2021 and June 30, 2021, respectively, and is reported in separate financial statements as the Foundation reports its financial results under Financial Accounting Standards Board standards rather than GASB standards. Contributions and additions to the Foundation’s endowments with donor restrictions were $7,409 for the six months ending December 31, 2021 and $16,580 for the year ending June 30, 2021.

The Foundation asset category, long-term investments, endowment, comprised 84% of the Foundation’s total assets as of December 31, 2021 and June 30, 2021, respectively. Remaining disclosures in this note relate to this asset group.

Long-term investments, endowment

The Foundation maintains a general pool of investments for its endowments. These investment securities are stated at fair value based on quoted market prices within active markets. The fair values of alternative investments are determined from information supplied by the investment managers based on the market values of underlying investments on a net asset value basis. Investment income is reflected in the Statements of Activities as “without donor restrictions” or “with donor restrictions” based upon the existence and nature of any donor-imposed restrictions.

The Foundation has established a specific set of investment objectives and guidelines for investment managers that attempt to provide a predictable stream of income while seeking to maintain the purchasing power of the endowment assets over the long-term. The investment policy establishes an achievable return objective and seeks to manage risk through diversification of asset classes. The current long-term return objective is to return 7.25% for

*16. COMPONENT UNITS - CONTINUED*

December 31, 2021 and June 30, 2021. Actual returns in any given year may vary from these amounts.

Endowment spending policy

The Foundation utilizes a spending policy for its pooled endowment in order to provide for the current and long-term needs of endowment recipients. The spending policy determines the endowment income to be distributed. For the periods ended December 31, 2021 and June 30, 2021 the spending policy was 4.5% of the average market value for the twelve previous quarters ending September 30.

Endowment spending is contingent upon a fund’s market value exceeding its historic dollar value (principal). In accordance with the Uniform Prudent Management of Institutional Funds Act, a prudent expenditure may be allowed unless the donor has explicitly prohibited expenditure of principal. During the six months ended December 31, 2021 and the year ended June 30, 2021 the Foundation distributed $8,243 and $14,184, respectively, to the System for both restricted and unrestricted purposes.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

1. Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
2. Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
3. Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

*16. COMPONENT UNITS - CONTINUED*

The Foundation’s short-term investments measured at fair value valuations based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) as of December 31, 2021 and June 30, 2021 were $32,499 and $25,130, respectively. These investments include money markets, certificates of deposit, U.S. government obligations and bonds.

The following table summarizes the Foundation's long-term endowment investments by class in the fair value hierarchy as of December 31, 2021:

|  | **NAV** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Liquidity** |
| --- | --- | --- | --- | --- | --- | --- |
| U.S. equities | $ 90,337 | $ 15,306 | $ - | $ - | $105,643 | Daily/Monthly |
| Non-U.S. equities | 31,324 | 27,321 | - | - | 58,645 | Daily/Monthly/Quarterly |
| Global equities | 41,398 | - | - | - | 41,398 | Monthly/Quarterly |
| U.S. fixed income | - | 35,109 | - | - | 35,109 | Daily |
| Total private investments | 49,269 | - | - | - | 49,269 | Illiquid |
| Alternative investments | 38,017 | - | - | - | 38,017 | Monthly/Quarterly/Semi-Annually/Annually |
| Cash | - | 961 | - | - | 961 | Daily |
| **Total long-term investments, endowment** | **$250,345** | **$78,697** | **$ -** | **$ -** | **$329,042** |  |

The following table summarizes the Foundation's long-term endowment investments by class in the fair value hierarchy as of June 30, 2021:

|  | | **NAV** | **Level 1** | | **Level 2** | | **Level 3** | | **Total** | | **Liquidity** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| U.S. equities | | $ 81,542 | $15,241 | | $ - | | $ - | | $ 96,783 | | Daily/Monthly | |
| Non-U.S. equities | | 25,056 | 35,463 | | - | | - | | 60,519 | | Daily/Monthly/Quarterly | |
| Global equities | | 41,908 | - | | - | | - | | 41,908 | | Monthly/Quarterly | |
| U.S. fixed income | | - | 35,361 | | - | | - | | 35,361 | | Daily | |
| Total private investments | | 36,161 | - | | - | | - | | 36,161 | | Illiquid | |
| Alternative investments | | 39,237 | - | | - | | - | | 39,237 | | Illiquid/Monthly/Quarterly/Semi-Annually/Annually | |
| Cash | | - | 87 | | - | | - | | 87 | | Daily | |
| **Total long-term investments, endowment** | **$223,904** | | **$86,152** | **$ -** | | **$ -** | | **$310,056** | |  | |

Complete financial statements for the Foundation may be obtained from the Foundation’s office at Two Alumni Place, Orono, ME 04469-5792.

17. SERVICE CONCESSION ARRANGEMENTS

In June 2016, the System contracted with Sodexo America LLC (“Sodexo”) to provide food services at all campuses except the University of Maine. In May 2020, the term of the contract was extended for 5 additional years commencing July 1, 2021, continuing through June 30, 2026 and is subject to renewal for 5 additional 1-year terms.

Upon execution of the 2016 contract, the System received a signing bonus of $500 and a commitment by Sodexo to provide up to $4,000 for equipment and improvements to the System’s dining facilities during the first 2 years of the agreement. Effective September 1, 2018, the contract was amended to include an additional $2,000 for equipment and improvements. Any such improvements and equipment provided will remain the property of the System.

As of June 30, 2022 and 2021, the equipment and improvements provided under this agreement have been classified as either capital assets or expenses in accordance with the System’s capitalization policies, with an offsetting deferred inflow of resources. The signing bonus has also been classified as a deferred inflow of resources. Over the life of the contract, the System will amortize the deferred inflows of resources while recognizing auxiliary revenue each year. If the agreement expires, terminates or is amended in a way that has an adverse impact on Sodexo, the System will be liable for the unamortized portion of Sodexo’s investment.

As of June 30, 2022 and 2021 the balance of the deferred inflows of resources related to the Sodexo service concession arrangement is $4,196 and $4,708, respectively (see Note 15). During FY22 and FY21, amortization in the amount of $512 has been recognized as auxiliary revenue.

18. PRIOR PERIOD ADJUSTMENTS

The provisions of GASB No. 87, *Leases* are effective for periods beginning after June 15, 2021 and all reporting periods thereafter. This statement applies to the System’s leases (see Note 1b.) and the System adopted GASB No. 87 for its June 30, 2022 financial statements. The change represents a change from one generally accepted accounting principle to another generally accepted accounting principle that is the current industry practice.

The changes adopted to conform to the provisions of GASB No. 87 are applied retroactively by restating the FY21 financial statements. The effect of the restatement was to reduce the beginning balance of net position (investment in capital assets), decrease the FY21 change in net position and decrease ending net position (investment in capital assets) by the amounts noted on the next page.

*18. PRIOR PERIOD ADJUSTMENTS – CONTINUED*

Net Position - Beginning of year  - As previously reported  $832,108 
 Cumulative adjustment to Net Position   (826)
Net Position – Beginning of year – As restated  831,282 
FY21 Change in Net Position – As previously reported  112,586 
FY21 effect on Change in Net Position 
Lease income: 
Net differences in recognition of rental income  2 
Rental payments received applied to interest income  40 
Lease expenses: 
Amortization of right of use assets-buildings  (1,337)
Rental payments made applied to interest expense  (35)
Net differences in recognition of rental expense  979 
Total effect on Change in Net Position  (351)
FY21 Change in Net Position – As restated  112,235 
Net Position - End of year - As restated  $943,517

19. SUBSEQUENT EVENTS

**Bond Issuance**: On July 20, 2022, the System issued $120,325 of 2022 Series A Revenue Bonds at a premium of $11,916. The purpose of the issuance was to currently refund a $43,000 bond anticipation note issued in May 2021, and to provide $86,396 for new projects, $2,247 for capitalized interest, and $598 for issuance costs. The bonds mature from 2023 to 2062 with annual principal payments from $1,165 to $6,050 and coupon interest rates from 5.0% to 5.5%.

**Public, Private Partnership:**  On August 15, 2022, the University of Maine System, as lessor, entered into an agreement with HS-RPG Orono, LLC as lessee, and with tenant, HS-RPG Orono Master Tenant, LLC. The public private partnership (P3) agreement is a $28,000 project including the renovation of Coburn and Holmes Halls and the construction of a new 24,800-square-foot building adjacent to Holmes Hall for the creation of boutique hotels. This project will provide 95 hotel rooms and suites and a bistro café. The construction will also include a new parking lot. The University is leasing the grounds and buildings for 99 years with an annual base rent of $38 per annum. The University’s commitment to the project is $3,000 with $1,180 disbursed at closing in August 2022 for the construction of the new parking lot and site improvements. In addition, the University has committed $1,320 for the construction of the boutique hotels with this amount not to be disbursed prior to January 1, 2023. The University has further committed $515 as a tax reimbursement payment by December 15, 2023.

*19. SUBSEQUENT EVENTS – CONTINUED*

Should the project receive New Market Tax Credits, the University would be eligible to receive some of those proceeds.

20. UNCERTAINTIES

During FY20, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to the FY22 year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, communities, and the delivery of education. Specific to the System, COVID-19 may negatively impact various parts of its FY23 operations and financial results, including, but not limited to, enrollment, auxiliary revenues, collections of receivables, operating costs and personnel. Management continues to take appropriate actions to mitigate impacts; however, the future effect of COVID-19 is unknown and cannot be reasonably estimated.

***UNIVERSITY OF MAINE SYSTEM***

Required Supplemental Information – Retirement and opeb Plans

***YEAR ENDED JUNE 30, 2022 (UNAUDITED)***

***(IN THOUSANDS)***

Incentive Retirement Plan:

**Changes in Total Pension Liability and Related Ratios**

| **Fiscal Year Ended June 30** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Service cost | $ 616 | $ 692 | $ 538 | $ 595 | $ 604 | $ 862 | $ 718 | $ 880 |
| Interest | 446 | 456 | 719 | 813 | 785 | 629 | 877 | 1,110 |
| Differences between expected and actual experience | - | 833 | - | (217) | - | 1,287 | - | (1,831) |
| Changes of assumptions and other inputs | (792) | 376 | 851 | 562 | (225) | (628) | 921 | 505 |
| Benefit payments | (2,388) | (2,198) | (2,141) | (2,175) | (1,972) | (2,084) | (5,260) | (3,114) |
| Net change in total pension liability | (2,118) | 159 | (33) | (422) | (808) | 66 | (2,744) | (2,450) |
| Total pension liability – beginning | 21,208 | 21,049 | 21,082 | 21,504 | 22,312 | 22,246 | 24,990 | 27,440 |
| Total pension liability – ending | $19,090 | $21,208 | $21,049 | $21,082 | $21,504 | $22,312 | $22,246 | $24,990 |
| Covered payroll | $59,119 | $62,646 | $67,303 | $68,685 | $72,541 | $77,644 | $95,653 | $92,419 |
| Total pension liability as a percentage of covered payroll | 32.29% | 33.85% | 31.27% | 30.69% | 29.64% | 28.74% | 23.26% | 27.04% |

**Schedule of Employer Contributions**

| **Fiscal Year Ended June 30** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Actuarially determined contribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the actuarially determined contribution | 2,388 | 2,198 | 2,141 | 2,175 | 1,972 | 2,084 | 5,260 | 3,114 |
| Contribution deficiency (excess) | $(2,388) | $(2,198) | $(2,141) | $(2,175) | $(1,972) | $(2,084) | $(5,260) | $(3,114) |
| Covered payroll | $59,119 | $62,646 | $67,303 | $68,685 | $72,541 | $77,644 | $95,653 | $92,419 |
| Contributions as a percentage of covered payroll | 4.04% | 3.51% | 3.18% | 3.17% | 2.72% | 2.68% | 5.50% | 3.37% |

*Incentive Retirement Plan – continued:*

### Notes to Required Supplementary Information:

*Changes of benefit terms:* None.

*Changes of assumptions and other inputs:*

2022: The discount rate changed from 2.16% as of the beginning of the measurement period to 3.54% as of the end of the measurement period.

2021: The discount rate changed from 2.21% as of the beginning of the measurement period to 2.16% as of the end of the measurement period. In addition, the mortality tables were updated to the Pub-2010 mortality tables with mortality improvement scale MP-2020.

2020: The discount rate changed from 3.5% as of the beginning of the measurement period to 2.21% as of the end of the measurement period.

2019: The discount rate changed from 3.87% as of the beginning of the measurement period to 3.5% as of the end of the measurement period.

2018: The discount rate changed from 3.58% as of the beginning of the measurement period to 3.87% as of the end of the measurement period.

2017: The discount rate changed from 2.85% as of the beginning of the measurement period to 3.58% as of the end of the measurement period.

*Methods and assumptions used in calculations of actuarially determined contributions:*

The University of Maine System Incentive Retirement Plan is funded on a terminal funding basis - funded when costs become due and payable.

| Actuarial cost method | Entry age normal |
| --- | --- |
| Inflation | Not explicitly assumed |
| Salary increases | 3.5% per year, including longevity |
| Payroll increases | 3.5% per year |
| Assets | There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73. |

Defined Benefit Pension Plan:

Changes in Total Pension Liability and Related Ratios         
Fiscal Year Ended June 30 2022 2021 2020 2019 2018 2017 2016 2015 2014**
Changes for the year:         
Service cost  $1   $1   $1   $1   $1   $6   $5   $40   $ 
Interest  1,996   2,148   2,255   2,270   2,385   2,545   2,769   2,884  
Differences between expected and actual experience   -   (285)   (1,238)  -   (759)  -   12  
Changes of assumptions  -   (426)  -   2,828   -   -   1,427   -  
Benefit payments  (3,793)  (3,916)  (4,043)  (4,153)  (4,280)  (4,435)  (4,585)  (4,693) 
Net change in total pension liability  (1,796)  (2,478)  (1,787)  (292)  (1,894)  (2,643)  (384)  (1,757) 
Total pension liability – beginning   33,840   36,318   38,105   38,397   40,291   42,934   43,318   45,075  
Total pension liability – ending (a)  32,044   33,840   36,318   38,105   38,397   40,291   42,934   43,318   45,075 
Contributions – employer  672   907   896   714   695   735   538   1,100  
Net investment income  (1,760)  3,704   1,213   1,112   1,335   2,173   202   27  
Benefit payments  (3,793)  (3,916)  (4,043)  (4,153)  (4,280)  (4,435)  (4,585)  (4,693) 
Administrative expenses   (18)  (13)  (33)  (27)  (36)  (20)  (19)  (8) 
Net change in plan fiduciary net position  (4,899)  682   (1,967)  (2,354)  (2,286)  (1,547)  (3,864)  (3,574) 
Fiduciary net position – beginning   25,291   24,609   26,576   28,930   31,216   32,763   36,627   40,201  
Fiduciary net position – ending (b)  20,392   25,291   24,609   26,576   28,930   31,216   32,763   36,627   40,201 
Net pension liability – ending (a)-(b)  $11,652   $8,549   $11,709   $11,529   $9,467   $9,075   $10,171   $6,691   $4,874 
Plan fiduciary net position as a percentage of the total pension liability 63.64% 74.74% 67.76% 69.74% 75.34% 77.48% 76.31% 84.56% 89.19%
Covered payroll*  $48   $65   $68   $156   $105   $168   $312   $301   $692 
Net pension liability as a percentage of covered payroll 24138.26% 13158.91% 17284.43% 7396.21% 9052.65% 5400.37% 3259.34% 2219.09% 704.23%
*   Covered payroll for 2016 is the 2015 covered payroll, increased by payroll growth of 3.5%         
** Detailed information regarding the change in the total pension liability for FY14 has not been presented as that information was not available.

*Defined Benefit Pension Plan – continued:*

**Schedule of Employer Contributions**

| **Fiscal Year Ended June 30** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Actuarially determined contribution | $672 | $907 | $896 | $714 | $695 | $735 | $538 | $ 550 | $550 |
| Contributions in relation to the actuarially determined contribution | 672 | 907 | 896 | 714 | 695 | 735 | 538 | 1,100 | 550 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $(550) | $ - |
| Covered payroll | $ 48 | $ 65 | $ 68 | $156 | $105 | $168 | $312 | $ 301 | $692 |
| Contributions as a percentage of covered payroll | 1392.86% | 1396.00% | 1322.06% | 458.23% | 664.54% | 437.48% | 172.49% | 364.84% | 79.47% |

*Defined Benefit Pension Plan – continued:*

### Notes to Required Supplementary Information:

*Changes of benefit terms:* None.

*Changes of assumptions and other inputs:*

2022: None

2021: The mortality tables were updated to the Pub-2010 amount-weighted mortality tables with scale MP-2020

2020: None

2019: The mortality tables were updated to reflect more recent mortality tables and generational mortality improvement.

2018: None

2017: None

2016: The investment return rate was changed from 6.75% to 6.25% and the administrative expense assumption was changed from $50, increasing by 3% per year, to $30, increasing by 2% per year up to a maximum of $70.

2015: The actuarial funding method was changed from Projected Unit Credit to Entry Age Normal, the investment return rate was changed from 7.25% to 6.75% and the administrative expense assumption was changed from $90 per year to $50 per year.

*Methods and assumptions used in calculations of actuarially determined contributions:*

The actuarially determined contributions in the schedule of employers' contributions are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contributions reported in that schedule:

| Actuarial cost method | 2015 to 2022: Entry age normal  2014: Projected Unit Credit |
| --- | --- |
| Asset valuation method | The actuarial value of assets is the market value of assets. |
| Inflation | 2021 to 2022: 2.5% per year  2020: 2.4% per year  2019: 2.6% per year  2016 to 2018: 3% per year  2015: 3.25% per year |
| Salary increases | 3.5% per year |
| Payroll increases | 3.5% per year |
| Investment rate of return/ discount rate | 2016 to 2022: 6.25%, net of investment expenses, compounded annually  2015: 6.75%, net of investment expenses, compounded annually  2014: 7.25%, net of investment expenses, compounded annually |

*Defined Benefit Pension Plan – continued:*

| **Investment Returns: Fiscal Year Ended June 30** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Annual money-weighted rate of return, net of investment expenses | -7.21% | 15.86% | 4.48% | 4.03% | 4.80% | 7.04% | 0.64% | 0.12% | 14.27% |

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

OPEB Plan:

Changes in Net OPEB Liability and Related Ratios       
Fiscal Year Ended June 30 2022 2021 2020 2019 2018 2017 2016**
Changes for the year:       
Service cost  $6,150   $6,964   $6,434   $6,583   $6,330   $6,174   $ 
Interest  11,969   15,725   14,769   15,354   14,482   15,567  
Changes in benefit terms  -   (49,469)  (102)  -   -   (8,670) 
Differences between expected and actual experience   -   (8,908)  -   (30,871)  -   (17,138) 
Changes of assumptions  -   (8,539)  5,938   10,090   -   6,051  
Benefit payments  (6,537)  (6,992)  (8,194)  (9,425)  (9,454)  (10,364) 
Net change in total OPEB liability  11,582   (51,219)  18,845   (8,269)  11,358   (8,380) 
Total OPEB liability – beginning   162,212   213,431   194,586   202,855   191,497   199,877  
Total OPEB liability – ending (a)  173,794   162,212   213,431   194,586   202,855   191,497   199,877 
Contributions – employer  4,937   12,473   12,694   11,868   11,942   16,146  
Net investment income  (22,658)  37,389   1,561   3,546   7,979   11,565  
Benefit payments  (6,537)  (6,992)  (8,194)  (9,425)  (9,454)  (10,364) 
Net change in plan fiduciary net position  (24,258)  42,870   6,061   5,989   10,467   17,347  
Fiduciary net position – beginning   180,270   137,400   131,339   125,350   114,883   97,536  
Fiduciary net position – ending (b)  156,012   180,270   137,400   131,339   125,350   114,883   97,536 
Net OPEB liability (asset) – ending (a)-(b)  $17,782   $(18,058)  $76,031   $63,247   $77,505   $76,614   $102,341 
Plan fiduciary net position as a percentage of the total OPEB liability (asset) 89.77% 111.13% 64.38% 67.50% 61.79% 59.99% 48.80%
Covered payroll  $267,061   $258,827   $241,501   $237,125   $220,849   $214,956  
Net OPEB liability (asset) as a percentage of covered payroll 6.66% -6.98% 31.48% 26.67% 35.09% 35.64% 
** Detailed information regarding the change in the total OPEB liability for FY16 has not been presented as that information was not available.

*OPEB Plan - continued:*

**Schedule of Employer Contributions**

| **Fiscal Year Ended June 30** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
| --- | --- | --- | --- | --- | --- | --- |
| Actuarially determined contribution | $ 6,595 | $ 13,564 | $ 11,942 | $ 13,216 | $ 12,819 | $ 14,970 |
| Contributions in relation to the actuarially determined contribution | 4,937 | 12,473 | 12,694 | 11,868 | 11,942 | 16,146 |
| Contribution deficiency (excess) | $ 1,658 | $ 1,091 | $ (752) | $ 1,348 | $ 877 | $ (1,176) |
| Covered payroll | $267,061 | $258,827 | $241,501 | $237,125 | $220,849 | $214,956 |
| Contributions as a percentage of covered payroll | 1.85% | 4.82% | 5.26% | 5.00% | 5.41% | 7.51% |

*OPEB Plan - continued:*

### Notes to Required Supplementary Information:

*Changes of benefit terms:*

2022: None

2021: Effective January 1, 2021 UMS offered a funded Health Reimbursement Account (HRA) through a retiree health exchange. Retirees can choose from various individual Medicare coverages or the UMS sponsored group coverage. The total OPEB liability decreased $51,219 from the prior year including changes of benefit terms of $49,469.

*Changes of assumptions*:

2022: The amortization method was changed from the level dollar amount over 30 years on a closed period to level dollar amount over 30 years on an open amortization period. The amortization period was reset at 30 years starting in FY23.

2021: The mortality tables were updated to the Pub-2010 amount-weighted mortality tables with scale MP-2020. The health care cost rate was updated to reflect more recent trends. The inflation rate was changed from 2.4% to 2.2%.

2020: The investment rate of return/discount rate was changed from 7.5% to 7.25%

2019: The mortality tables were updated to reflect more recent mortality tables and generational mortality improvement. The health care cost rate was updated to reflect more recent trends.

2018: *None*

2017: The investment rate of return/discount rate was changed from 7.75% to 7.5% and the actuarial funding method was changed from Projected Unit Credit to Entry Age Normal.

*Methods and assumptions used in calculations of actuarially determined contributions:*

The actuarially determined contributions in the schedule of employers' contributions are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contributions reported in that schedule:

|  |  |
| --- | --- |
| Actuarial cost method | 2017 to 2022: Entry age normal  2016: Projected Unit Credit |
| Amortization method | 2022: Level dollar amount over 30 years on an open amortization period  2021: Level dollar amount over 25 years on a closed amortization period  2020: Level dollar amount over 26 years on a closed amortization period  2019: Level dollar amount over 28 years on a closed amortization period |
|  | 2017 to 2018: Level dollar amount over 30 years on a closed amortization period |

*OPEB Plan - continued:*

|  |  |
| --- | --- |
| Amortization period | 2022: 30 years  2021: 25 years  2020: 26 years  2019: 28 years  2017 to 2018: 30 years |
| Asset valuation method | Market value |
| Inflation | 2022: 2.4%  2021: 2.2%  2020: 2.4%  2019: 2.6% |
|  | 2017 to 2018: 3% per year |
| Healthcare cost trend rate | 2021 to 2022: 6% decreasing .25% per year to 5.25%, then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.  2019 to 2020: 8% decreasing .5% per year to 5.5%, then grading down to an ultimate trend rate of 3.9%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075. |
|  | 2017 to 2018: 8% decreasing 1% per year to an ultimate rate of 5% for 2020 and later years |
| Investment rate of return/ discount rate | 2020 to 2022: 7.25% net of investment expenses, including inflation  2017 to 2019: 7.5% net of investment expenses, including inflation |
|  | 2016: 7.75% net of investment expenses, including inflation |

| **Investment Returns: Fiscal Year Ended June 30** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
| --- | --- | --- | --- | --- | --- | --- |
| Annual money-weighted rate of return, net of investment expenses | -12.59 | 26.88% | 1.16% | 2.81% | 6.90% | 11.56% |

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the OPEB plan investments to the ending fair value of OPEB plan investments.

***UNIVERSITY OF MAINE SYSTEM***

Supplemental InformatioN REQUIRED BY THE STATE OF MAINE

SCHEDULES OF ACTIVITIES

(IN THOUSANDS)

Year Ended June 30, 2022      
Functions/Programs Expenses "Charges for
Services" "Program
Investment
Income" "Operating
Grants/ 
Contributions" "Capital
Grants/
Contributions" "Net
(Expense)
Revenue"
University of Maine System  $814,726   $303,671   $(26,295)  $189,080   $34,437   $(313,833)
 General Revenues:     
 Unrestricted interest and investment income      (13,664)
 Additions to endowments - gifts       2,782 
 State of Maine noncapital appropriation      229,357 
 State of Maine capital appropriation      25,392 
 Federal Pell grants      33,735 
 Coronavirus relief funding      62,886 
 Loss on disposal of capital assets      (558)
 Total Revenues and Extraordinary Items      339,930 
 Change in Net Position      26,097 
 Net Position, Beginning of Year      943,517 
 Net Position, End of Year      $969,614 
      
Year Ended June 30, 2021 Restated      
Functions/Programs Expenses "Charges for
Services" "Program
Investment
Income" "Operating
Grants/ 
Contributions" "Capital
Grants/
Contributions" "Net
(Expense)
Revenue"
University of Maine System  $683,695   $268,685   $29,406   $161,564   $8,225   $(215,815)
 General Revenues:     
 Unrestricted interest and investment income      22,525 
 Additions to endowments - gifts       2,582 
 State of Maine noncapital appropriation      218,157 
 State of Maine capital appropriation      15,988 
 Federal Pell grants      34,591 
 Coronavirus relief funding      36,602 
 Loss on disposal of capital assets      (2,395)
 Total Revenues and Extraordinary Items      328,050 
 Change in Net Position      112,235 
 Net Position, Beginning of Year      831,282 
 Net Position, End of Year      $943,517

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**INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER**

**FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

**BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED**

**IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees

University of Maine System

Orono, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Maine System (the System) (a component unit of the state of Maine), as of and for the year ended June 30, 2022 for the business-type activities and the aggregate remaining fund information, and as of and for the six month period ended December 31, 2021 for the discretely presented component unit, and the related notes to the financial statements, which collectively comprise the System’s basic financial statements, and have issued our report thereon dated October 28, 2022. Our report includes a reference to other auditors who audited the financial statements of the University of Maine Foundation (Foundation), as described in our report on the System’s financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered System’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of System’s internal control. Accordingly, we do not express an opinion on the effectiveness of System’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Board of Trustees University of Maine System

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether System’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

***System’s Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the System’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The System’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Quincy, Massachusetts October 28, 2022

**UNIVERSITY OF MAINE SYSTEM**

**(A COMPONENT UNIT OF THE STATE OF MAINE)**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2022**

**Financial Statement Finding 2022-001**

**Type of Finding**: Significant Deficiency in Internal Control over Financial Reporting

**Repeat Finding:** No

**Condition:** The University of Maine System's (the System) wire payment set up and authentication

procedures lack centralized control in some areas.

**Criteria or Specific Requirement:** Internal controls should be established to provide reasonable assurance that the financial statements will not be misstated due to error or fraud and System assets are appropriately safeguarded.

**Effect:** The current internal control structure may not timely identify wire transfers made to an incorrect bank account.

**Cause:** The System does not have formally documented policies and controls regarding the authentication of vendor banking information.

**Recommendation:** The System should evaluate their processes and controls surrounding wire transfers to determine if additional controls can be implemented.

**Views of Reasonable Officials and Planned Corrective Action:** System management agrees with the finding and is reviewing its procurement and wire payment process to identify weaknesses and strengthen its internal control structure. The System's Organizational Effectiveness Office and an outside consulting firm is assisting with this review.