



October 27, 2020

The Honorable Mary Jane Wallner, Chair  
Fiscal Committee of the General Court

Dear Representative Wallner and Members of the Committee:

Pursuant to RSA 187-A:22, enclosed please find the Annual Report for the University System of New Hampshire for fiscal year ended June 30, 2020. On page 21 of the report you will find the Independent Auditor's Report reflecting the unmodified or "clean opinion" issued by CliftonLarsonAllen, our external independent auditors. The report was presented to and accepted by the University System's Board of Trustees on October 23, 2020.

In addition, also attached pursuant to RSA 187-A:25-a is information provided to the USNH Audit Committee by CliftonLarsonAllen, its external auditors.

Please feel free to contact me with any questions on the report.

Respectfully,

Catherine A. Provencher  
Vice Chancellor for Financial Affairs and Treasurer

Enclosures

THE UNIVERSITY SYSTEM OF NEW HAMPSHIRE IS



The four institutions of the University System open doors to opportunity, strengthen communities and graduate prepared talent into our workforce.

**THE PRIDE OF THE GRANITE STATE**

2 0 2 0   A N N U A L   R E P O R T

Granite State College

Keene  
STATE COLLEGE

Plymouth State  
UNIVERSITY

 University of  
New Hampshire

University System  
of New Hampshire



# The University System of New Hampshire is YOURS





2	Introduction
4	Chancellor's Message
6	Campuses
8	Efficiencies
10	Innovation
14	Collaboration
17	UNH Extension
18	Grants and Research
21	Report of Independent Auditors
23	Management's Discussion and Analysis
36	Financial Statements
49	Notes to the Financial Statements
51	USNH Board

The University System of New Hampshire belongs to all of us. It's an invaluable state resource that's yours. Yours to open doors to affordable higher education. To conduct essential research for our communities and our state. Yours to create opportunity. To develop talent that strengthens our state's workforce. Faced with international realities in 2020, the University System embraced long-standing relationships with state and regional partners to innovate and collaborate. Together with many partners, we overcame daunting barriers, delivered on our mission to New Hampshire, and mitigated the impact of the pandemic. The University System of New Hampshire is yours. And it's the pride of the Granite State.

**University System  
of New Hampshire**

# Chancellor looks back and to the future



Todd Leach, *Chancellor*

We celebrate in this annual report the triumphs, challenges, pure ingenuity and collective efforts that left us standing proudly as we closed our 2020 academic year at near break-even levels while doing the right thing for our students and their families. To that end, \$42M in housing and related expenses were returned to students on our residential campuses after the decision was made to close facilities, however, we cared for our residential students who could not return home, providing safe housing, meals and services. This financial performance was the result of numerous rapid response steps that reduced spending by over \$20M. We were also very fortunate to receive strong support from the Governor and state legislators providing \$19M for COVID-19 mitigation efforts and \$10M to enhance remote learning, all in an effort to provide high-quality educational experiences to our students and support larger state economic and workforce needs. Our federal legislators also importantly assisted us in obtaining another \$9M of institutional support and \$9M in direct student support.

Throughout all of our response efforts, our Board of Trustees, the campus Presidents and my office have kept the safety of our students, faculty, staff and the communities we reside in paramount. The successful reopening of our residential campuses in August is a testament to how inextricably linked our decades-old partnerships are as we rose together to surmount the challenges presented by the unyielding pandemic. Without all of you, we could not continue to fulfill our mission to our state. Thank you!

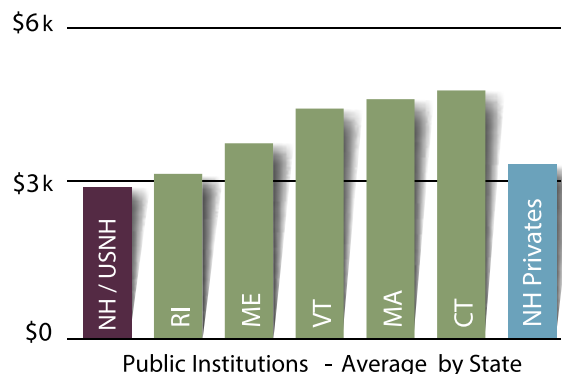
State, regional, local public safety    Students  
Community leaders    Student landlords    Faculty    Staff  
National Guard    Legislature    USNH Board of Trustees  
HHS    **Collaboration**    Quest  
Community residents    Local and regional healthcare partners  
NH Attorney General's Office    GOFERR Commission  
Federal Legislators    Convenient MD    Business owners

This has been a year unlike any other faced by institutions of higher education. In addition to the pandemic, campuses have been working with our students and faculty to address social injustice issues and existential threats resulting from declining demographics, intense competition, emerging alternatives and an unsustainable trend of rising tuition levels.

Fortunately, USNH had already begun addressing these comprehensive threats by embarking on a multi-year effort to make, what was already one of the most efficient systems in the Northeast, even more efficient. This effort involved obtaining outside expertise to help streamline system-wide and individual campus operations that include centralizing operations including procurement, information technology and financial administrative functions. We had already begun streamlining both system-wide and individual campus operations. We are fortunate to have been on a path towards significant cost restructuring prior to the arrival of COVID-19.

The goal of these initiatives is not just to reduce expenses, but to support an enhanced learning experience and identify resources that can be reinvested in mission-critical areas. Our institutions will maintain faculty strength, expand learning technologies, modernize laboratories and student services and ensure the best education possible. USNH proudly serves as an innovation hub for new and emerging business activity, as the largest provider of an educated workforce, and is one of the state's greatest resources for social mobility. We are an economic engine in our state and a proud partner to businesses big and small.

## Administrative expense per student



U.S. Department of Education, National Center for Education Statistics, IPEDS, FY16-FY18, 3-year average. Institutional support expense per 12-month FTE.

While the second half of FY 2020 may have been dominated by COVID-19 issues, there were many successes and important achievements realized across USNH this past year aside from addressing the pandemic. We launched the “Aspire” initiative which leveraged *“The University System is Yours”* campaign and our plan to freeze tuition as a means to keep more New Hampshire students right here at home and begin reversing the exporting of college-going students. Research funding reached record levels at UNH. The Community College System opened a colocation site on the Keene State campus. Plymouth State University continued to build strength with its cluster model, ultimately bucking enrollment trends for 2021 and achieving growth. These accomplishments were all achieved while simultaneously supporting broader state pandemic needs that included the creation of surge space by the National Guard at all of our residential campuses; the establishment of quarantine space for emergency responders and healthcare workers; the addition of healthcare workers into the workforce; the adaptation of labs and maker spaces to help create PPE and even ventilator parts; and building a testing lab at UNH. These collective efforts and partnerships are what makes public institutions distinctive and so vital.



Dr. Deborah Birx (far right), U.S. Coronavirus Response Coordinator and Ambassador, toured UNH's on-campus testing lab and was welcomed by (from left) Marc Sedam, Vice Provost for Innovation and New Ventures, and Managing Director, UNH Innovation; Marian McCord, Senior Vice Provost for UNH Research, Economic Engagement and Outreach; Gov. Chris Sununu; Chris Clement, Chief Operating Officer and Vice President for Administration and UNH President James W. Dean Jr.

As USNH moves forward, being true to our public mission will be more important than ever to the ability of our state to recover. The future presents us with an opportunity to incorporate the lessons of pandemic modified operations and rethink how we serve our students. While our residential students overwhelmingly prefer to live on campus than study remotely from home, we can assess how the remote capabilities we have built can provide flexibility so there is no longer a one-size-fits-all approach. We have moved many services online which gives us the opportunity to re-engineer how our students and staff might be better served by maintaining or improving upon remote access to services and processes moving forward.

While USNH led the Northeast in cost efficiencies among public systems even before restructuring was underway, we have an opportunity to be a national leader in what a public system can be post COVID-19. We will need to continue to put mission first and continue to rely heavily on collaboration, partnerships, innovation and a dedication of faculty and staff. We have mobilized every available resource across our system to be of service to the State during this past year. Our unwavering partners have done the same. This is the true spirit of *your* University System and our state.

*Todd Leach*  
Todd Leach, Chancellor





## University of New Hampshire

Founded in 1866, UNH is the state's flagship public research university, with campuses in Durham and Manchester and the UNH Franklin Pierce School of Law in Concord. More than 15,500 students, representing 50 states and 71 countries, attend UNH, which offers more than 200 academic degree programs. UNH received more than \$129 million in competitive external research funding in FY20, and is a Carnegie Classification R1 research university, putting it among the top 130 universities in the nation for research productivity. More than 5,000 NH businesses receive direct, one-on-one assistance from UNH every year. The university also holds the nation's largest undergraduate conference of its kind, featuring some 2,000 students who present their projects each spring. UNH Extension provides research, expertise and outreach programming throughout the state. Nearly 5,000 Extension volunteers reached more than 66,000 residents in 2019, donating time valued at more than \$5 million.

### FAST FACTS

- \$1.5 billion generated for NH's economy each year
- 18 NCAA Division 1 teams
- 96% of 2019 graduates were employed or pursuing advanced education
- Top 5 in US for intellectual property law
- 84% of first-time, full-time students receive financial aid
- \$200 million awarded annually in financial aid and scholarships

## Keene STATE COLLEGE

Wisdom to make a difference.

Keene State College is New Hampshire's public liberal arts college, offering more than 40 majors in the arts and sciences, professional programs and selected graduate degrees. For its 3,500 students, the college provides rigorous academic programs and a tradition of small classes, faculty-student collaborative research and service learning. Chief among the college's priorities are preparing students for global citizenship and meaningful work and catalyzing economic development through institutional partnerships across the region and state.

### FAST FACTS

- 49% of undergraduates are first-generation college students
- 86% of 2019 graduates participated in at least one high-impact educational practice outside of the classroom\*
- 97% of students received financial aid in 2018-19
- Within a year following graduation, 98% of 2018 graduates were employed or in graduate study, and 86% said that their Keene State education had prepared them well for what they are doing now\*\*
- Keene State College received high marks from U.S. News and World Report in its 2021 rankings among regional colleges in the North. Rankings include #9 in Best Schools, #6 in Best Undergraduate Teaching, #6 in Top Public Schools, #3 in Best Colleges for Veterans and #9 in Best Value Schools

\*2019 Graduating Senior Survey

\*\* Class of 2018 One-Year-Out Alumni Survey



## Plymouth State UNIVERSITY

The Plymouth State Learning Model is organized around seven theme-based hubs called "Integrated Clusters," which emphasize open, integrative, project-based experiences. It connects with community and business partners for economic development, technological advances, healthier living and cultural enrichment with a commitment to the NH North Country and Lakes Region. With an enrollment of approximately 4,000 undergraduate and 2,000 graduate students, the university confers BA, BFA and BS degrees; master's degrees; certificates of advanced graduate studies (CAGS); and doctoral degrees in higher education; learning, leadership and community; and physical therapy. Students choose from 53 undergraduate majors (including a new Robotics discipline), 60 minors and 68 graduate degree and certification programs, with studies in the arts, business, education humanities and the natural and social sciences.

### FAST FACTS

- PSU awarded the most degrees/certificates (1,300) since 2015
- The Doctor of Physical Therapy program awarded its first DPT degrees (25)
- PSU saw the highest Fall-to-Spring Freshman retention (87%) in four years
- Student-to-faculty ratio reduced to 16:1 for more individualized attention
- The Ascent program, (helping first-year, often first-generation) students build academic, social and financial skills, expanded out-of-state (representing 13 states and 28 majors)
- Fall Showcase of Student Engagement won praise from State Legislators—nearly 1,000 students/47 instructors tackled over 250 projects from pollinator loss and food insecurity to sustainability and tourism

## Granite State College

With a focus on adult students and other individuals who seek a flexible learning environment, GSC provides comprehensive access to higher education. This commitment to access is best illustrated through its 365/24/7 online courses and student support services. The ability for GSC to meet students where they are presents the opportunity to achieve an affordable college education while balancing life's other responsibilities such as work, family and community obligations. With associate, bachelor's and graduate programs, post-baccalaureate teacher certification, credit for prior learning and a variety of transfer opportunities, GSC emphasizes practical and relevant areas of study that are responsive to the workforce development needs of New Hampshire's economy.

### FAST FACTS

- Ranked #1 in New Hampshire and #11 in U.S. for 2019 Best Colleges for Adult Learners, Washington Monthly
- 87% of enrollments are online
- #106 in U.S. for 2020 Best Online Bachelor's Programs, U.S. News & World Report
- #65 in U.S. for 2020 Best Online Bachelor's Programs for Veterans, U.S. News & World Report
- 77% of students live in New Hampshire
- 92% of students work in full- or part-time jobs



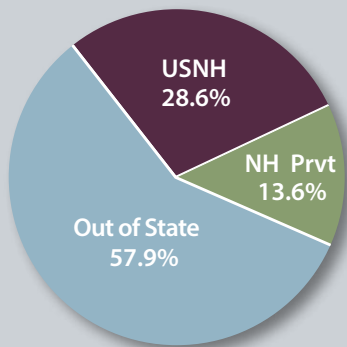


## The Fifty Percent Ascent: your opportunity is here

New Hampshire is losing nearly 60 percent of its four-year college-bound students to out-of-state schools; year in and year out. Many of these young adults – brimming with energy, ambition and smarts – may never return to live and work in our state.

To address the challenge, USNH is calling on educators, business leaders and government agencies to encourage at least half of our college-bound seniors to choose from the many high-caliber colleges and universities in this great state (a state which happens to be ranked second in the country overall as best state in the nation).

Just in the last year, the number of departing high schoolers has decreased from 61 percent to 58 percent. It's a start. But it's not enough. By focusing on the immediate goal of 50 percent, and clearly communicating the educational, professional and social opportunities that surround all of us right here, we can achieve success and retain 600+ additional students per year.





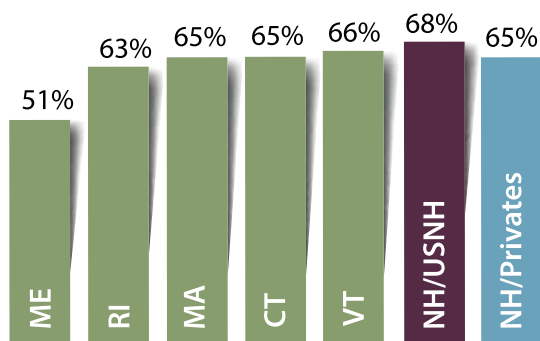
## Brother and sister find family in TRIO

Since 1983, Plymouth State University's TRIO Student Support Services (SSS) program has helped hundreds of students find their footing on campus. More than half of all Plymouth State students are either first-generation, low-income or have a disability. This "trio" comprises the three key factors in determining eligibility for TRIO, a federally funded student support service and the primary component of the University's Plymouth Academic Support Services (PASS) program. TRIO links first-year students with more experienced peers who can relate to their concerns, help them overcome challenges and ultimately lead them to success. The program provides hands-on, holistic support to help these students succeed. Despite the challenges faced by many students, an impressive graduation rate provides compelling evidence of the program's effectiveness.

Myles Gomes-Boisvert '20 received his bachelor's degree in communications and is working in Hooksett, NH, while his sister, Maya Gomes-Van Pelt, is enrolled and will graduate in 2024. TRIO has been a true family affair.

## Bachelor's 6-year graduation rate

Public Institutions - Average by State



U.S. Department of Education, National Center for Education Statistics, IPEDS. Provisional data, FY18 most recent available.

## UNH Manchester named a 2021 "hidden gem" by College Raptor

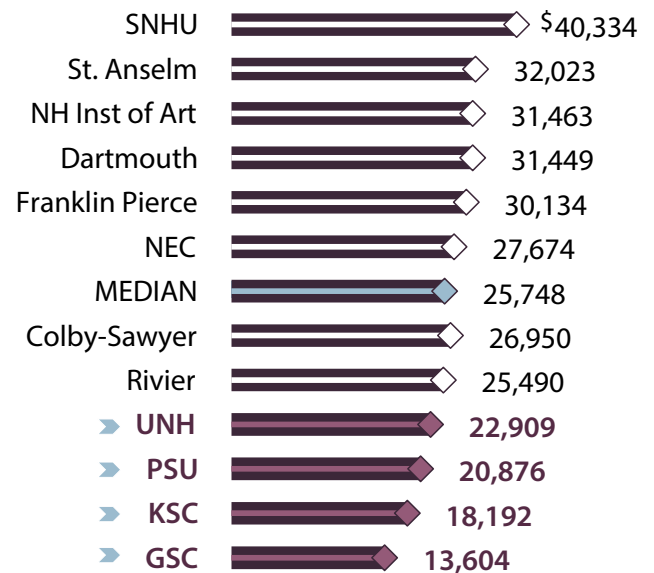
UNH-Manchester has been named a 2021 "Hidden Gem in the New England Region" and an "Urban Hidden Gem" by College Raptor, a leading college planning platform driven by AI algorithms that help families discover the best college matches at the best price.



The rankings are based on the most recent statistical data from the National Center for Education Statistics, which includes surveys and trends from the Integrated Postsecondary Education Data System and College Navigator. In addition to statistical data, the ranking methodology also included graduation rates, acceptance rates, campus diversity, affordability and other metrics.

## Average in-state cost of attendance

New Hampshire Undergrads



U.S. Department of Education, College Scorecard, 3/2020. FY18 most recent available. Average total annual price for first-time, full-time, in-state freshmen receiving federal aid, after all grant and scholarship aid.





# Innovation

## UNH ecosystem makes COVID-19 lab a reality

The University of New Hampshire has been testing students for the coronavirus in a newly created cutting-edge laboratory using self-swabbing home kits developed at UNH. The lab has played a key role in the university's commitment to extensively monitor the student population every four days to quickly identify and prevent the spread of the virus and help provide a safe environment for students, faculty, staff and the community.

Completed in the span of 100 days, the clinical testing lab is equipped with state-of-the-art instrumentation and robotics that can screen for COVID-19 on at least 4,000 samples a day. Tests results can be generated in less than 48 hours. A team of skilled lab technicians work two shifts, six days per week. The facility has been certified by the Clinical Laboratory Improvement Amendments. Although it was designed to meet the university's current testing protocols, it incorporates flexibility to shift if technology or needs change in the future.

"We knew early on that we wanted to be aggressive in our testing, to make it easy for students and to get test results quickly," said Marian McCord, senior vice provost for research, economic engagement and outreach. "With the delays in national testing, it became clear to ensure a quick turnaround and a safe campus we needed to do our own testing, so we tapped into the extensive expertise at UNH to find the right resources and help establish our own testing lab."

"The logistics behind organizing, tracking and testing more than 15,000 people multiple times a week was challenging, to say the least," said Marc Sedam, vice provost for innovation and new ventures. "Our staff onboarded a number of employees, ordered over 350,000 test kits, worked with dozens of colleagues to install a lab management system and printed hundreds of thousands of labels in preparation for the launch."



## U.S. coronavirus response coordinator Deborah Birx, M.D. visits Plymouth State University

Ambassador Deborah Birx, M.D., the United States Coronavirus Response coordinator visited Plymouth State University on October 12, 2020. Ambassador Birx met with University officials, including her brother, PSU President Donald Birx, Ph.D., and PSU's Coronavirus Response team. Ambassador Birx offered remarks on the progression of the pandemic and provided thoughts on how many of our college students on campuses, across the nation, are modeling behavioral safety changes that, if adopted nationwide, could enable lower rates of infection across the country. She added that not all universities trusted their students enough to open while others spent their summers planning for educational and behavioral safety campaigns, preparing for weekly testing and tracing processes, and built adaptable feedback mechanisms to adjust as needs change. She reiterated that many students are finding ways to remain physically distanced yet socially engaged and still doing things that they enjoy but in new ways. Finally, Ambassador Birx observed that when universities were closed down, the country deeply missed the brain trust and the collective impact of behavioral scientists, health communicators, lab facilities and work of grad students to help stem the spread of the virus. Quickly, universities rebounded and answered the call with their resources and have since had tremendous results.



## PSU Makerspace responds to pandemic

The Draper and Maynard Makerspace at Plymouth State University opened for business in the fall of 2019 and quickly became just one of the ways PSU marshalled forces to combat the pandemic. State-of-the-industry equipment includes plasma and laser cutters, a Computer Numerical Control (CNC) table, a pipe bender, and 3D printers, among other high-tech machines. The range of equipment and capabilities is comparable to those of the nation's top technology institutions. The pandemic prompted an intensive study of personal protective equipment (PPE) that frontline medical workers depend on. In little more than a month's time, the Makerspace had quickly developed and produced face shields and filter masks. In collaboration with Plymouth's Spere Memorial Hospital, members of the local and Boston medical communities and donors, it produced ventilator branching devices and flow limiters, so multiple patients could use the same ventilator.





## Keene State College and City of Keene analyze wastewater to forecast potential threat of COVID-19

Gathering data about the prevalence of COVID-19 is critical. Even more effective is having data that forecasts the potential threat of the virus in the near future. To do this forecasting, Keene State and the City of Keene are collaborating to analyze wastewater from sewage collection systems where the virus will show up, when it is present. Samples from the Keene State campus and in the city are collected in two locations, and the samples are analyzed for how much of the virus is present per liter of wastewater. In close partnership, Keene State and the City of Keene review data on a weekly basis to look for trends in data that could lead to additional steps for the health and safety of the community.



## KSC geography alumnus on frontlines of COVID-19 research

Keene State 2014 graduate Michael R. Desjardins is at the forefront of studying COVID-19 using geographical methods. In December, Michael earned his Ph.D. in geography, specializing in medical geography and spatial epidemiology from the University of North Carolina at Charlotte. As a post-doctoral fellow in the Johns Hopkins Bloomberg School of Public Health's department of epidemiology, he is lead author of what is thought to be the first scholarly article published on using spatial science techniques to study the initial outbreak of the novel coronavirus. The Johns Hopkins Center for Systems Science and Engineering data is publicly available, so researchers and public health departments can now use the model Michael established to track and predict clusters of COVID-19.



## PSU and UNH nursing grads on the front lines

### PSU

Plymouth State University senior nursing students graduated a full month ahead of schedule allowing them to work on the front lines in the state's hospitals and other health care settings during the pandemic. 70% of PSU's 2020 nursing graduates were expected to become licensed in New Hampshire. Many begin working at the hospitals where they completed their senior capstone semesters. PSU's nursing program is a four-year degree program in which students may graduate with a Bachelor's Degree in Nursing (BSN).

### UNH

This May, UNH graduated 70 nurses early as the COVID-19 pandemic began to impact NH. One of them was Laura Howard, UNH '20, who had planned to spend spring break picking up extra shifts at the hospice house where she worked as a licensed nursing assistant. However, the coronavirus hit and everything changed. She and her mother made face masks to help keep healthcare workers safe and then Howard, who was named Nursing Student of the Year by the New Hampshire Nurses Association, was hired by Exeter Hospital. "I love being a nurse. I love that it doesn't end when I leave my shift. I can care for my loved ones and community in and out of the professional setting," says Howard.

## KSC senior Emma James jumps into the virtual classroom

Emma James' student teaching practicum moved online in mid-March, but that didn't dampen her enthusiasm – or shorten her workday. Helping teach fourth-graders via the Google Classroom learning site wasn't what the KSC senior elementary education and communication double-major signed up for when she started student teaching in Nicki Crank's classroom at the Symonds School in Keene, but she's adjusted quickly and enjoyed the new experience.







## USNH provides facilities and dining service for first responders and patients if needed during the COVID-19 pandemic

From March through June, the University System embraced our communities and hospital partners surrounding Keene, Plymouth, and Durham by serving as alternate care sites for first responders and patients as needed. Thanks to the dedication and drive of our National Guard men and women, gymnasiums and ice arenas were transformed into care centers with hundreds of beds, respirators and medical equipment in the event that the pandemic overwhelmed the capacity of our surrounding medical centers. Residence halls and dining halls were opened to medical providers and first responders for respite time; places where they could rest and recuperate from round-the-clock rigors of care. The University System also quickly enabled our Markerspaces, 3D Printers, and reached into stockpiles from labs to share out more than 45,000 pairs of gloves, 11,000 surgical masks, 4,800 N-95 respirators, 216 protective gowns, 38 Tyvek suits, and built face shields and parts for respirators. The University System was proud to offer our resources to care for our partners and provide preemptive solutions during this time of uncertainty.





## Sununu proclaims 'USNH – NH National Guard Accord Day'

Last December, Governor Chris Sununu signed a proclamation in recognition of the longstanding partnership between the University System of New Hampshire (USNH) and the New Hampshire National Guard.

*"The University System of New Hampshire has been one of our staunchest allies. For more than 20 years, university trustees have given our citizen soldiers and airmen in pursuit of higher education a generous and reliable path toward a degree and ultimately their chosen career field, whether they are currently serving or after they become a veteran. They understand the return on investment, and appreciate the perspective students with military experience bring to a classroom or lecture."*

– NH Adjutant General David Mikolaities

## USNH and New Hampshire's National Guard

Since 1996, New Hampshire Guardsmen have been able to attend USNH institutions — Granite State College, Keene State College, Plymouth State University and the University of New Hampshire — tuition-free. **In the past decade, USNH has provided more than 5,000 tuition waivers worth nearly \$20 million for Guardsmen to receive post-secondary educations at USNH institutions.**

## NH National Guard soldier makes mission happen with a smile

When Spc. Jacob Barrington enlisted in the New Hampshire Army National Guard in 2018, he never thought he'd be called up for state active duty to support a worldwide pandemic.



Despite the health crisis, the 20-year-old medic smiles through the difficult tasks and faces each challenge head-on. Initially, Barrington was a part of the operations section for TF 197. However, in light of his combat medic background, he was pulled to support COVID-19 swab testing at a field-testing site in Plymouth.

**Keene State College was ranked #3 in Best Colleges for Veterans by U.S. News and World Report**

**Granite State College earned the Bronze distinction, scoring within 30% of the 10 best schools for the 2020-2021 Military Friendly® Cycle**





UNH President James W. Dean Jr. accepts a New Hampshire wall clock presented to UNH by House Speaker Steve Shurtleff.

## Making history: NH House convenes unprecedented sessions at UNH Durham

For the first time since the Civil War, the NH House of Representatives met outside of the State House when it convened sessions in June and September at The Whittemore Center at UNH, one of the few indoor arenas in the state large enough to host the 400 lawmakers and provide healthy social distancing. "We looked at several options, and I really liked the idea of hosting it at the state's largest public university," said House Speaker Steve Shurtleff. "With UNH being a land grant college and everything that all the schools in the University System of New Hampshire have done for our state, I think it's great that we're able to hold the session at The Whit."

"While some legislative activities, including committee and commission meetings, have resumed work remotely, we understand it is important for the Legislature to resume session to complete the work that the people of New Hampshire elected us to do as well as provide important checks and balances to the state government during this crisis," wrote Shurtleff and Senate President Donna Soucy, in a joint statement.





## UNH Extension supports NH through COVID-19 with new partnerships for businesses and families in crisis

UNH Extension responded quickly to serve people and small businesses across the state as COVID-19 arrived, with staff and specialists identifying critical needs and adapting to address them. Working with food pantries across the state, Extension created an interactive, online food access map to share up-to-date information on food resources for those in need.

Extension also created engaging, online science activities for parents and teachers to share with their K-12 students. Working with the NH Department of Business and Economic Affairs and NH Small Business Development Center, Extension provided vital resources to help employers, small business owners and communities to address immediate challenges and plan for long-term recovery.





Announcing NASA's largest ever contract to UNH are (from left) UNH President James W. Dean Jr.; Harlan Spence, director of the UNH Institute for the Study of Earth, Oceans and Space; NASA Administrator Jim Bridenstine; and U.S. Sen. Jeanne Shaheen.

## Improving STEM Education: major NSF grant to UNH supports NH teachers

UNH received a major National Science Foundation grant to improve science and mathematics education for middle and high school students in Manchester, Nashua and Rochester schools. The five-year grant will support 15 science, technology, engineering and mathematics (STEM) teachers to build their leadership skills, equity pedagogies and STEM content knowledge and instruction. Principal investigator Lara Gengarely, UNH Extension specialist and affiliate associate professor for science education in UNH's Joan and James Leitzel Center for Mathematics, Science and Engineering Education said in a statement, "...supporting teachers as leaders in STEM and equity education is essential work that UNH is well-suited to lead."



## PSU students and professors awarded prestigious grants

PSU students and faculty received several prestigious grants over the past year. The Plymouth State Meteorology Program was awarded a \$528,000 grant from the National Science Foundation (NSF) to support the four-year continuation of an undergraduate research program exploring atmospheric and related sciences; Sarah Parrish, Ph.D., Assistant Professor of Art History, received a \$30,000 Humanities Connections Planning Grant from the National Endowment for the Humanities to work with faculty across multiple disciplines to design art history courses around specific themes; and PSU graduate student Hannah Vollmer was awarded a prestigious NSF Graduate Research Fellowship, the first PSU student to achieve this honor. Vollmer was recognized for her promise as an early-career scientist and her research on two rare alpine plants in the NH White Mountains.

# Grants and Research

## Historic NASA contract supports coastal ecosystem research

In August 2019, UNH received its largest contract ever from NASA: \$107.9 million to develop a space-based instrument that will greatly increase the understanding of ocean biology, chemistry and ecology throughout the Gulf of Mexico, the southeastern U.S. coastline and Amazon River plume that stretches to the Atlantic Ocean. The satellite-based instrument, called the Geosynchronous Littoral Imaging and Monitoring Radiometer (GLIMR), will help scientists to identify various phytoplankton species — the base of the marine food chain — and how they respond to changes in the environment. Scientists will also be able to track the plankton that contribute to harmful algal blooms and to monitor and project the movement of those blooms, along with the spread of sediments, oil spills or other pollutants. GLIMR is slated for launch in 2026-2027, but the team has been laying the groundwork for this project for years.

## NH BioMade

Several University System institution projects were awarded funding by NH BioMade. NH BioMade is managed by NH EPSCoR, which advances NH's competitiveness in science and engineering, and is led by UNH. NH BioMade is supported by the National Science Foundation to advance the design and manufacture of biomaterials used in medical applications such as orthopedic implants, trauma fixation hardware, scaffolding for tissue engineering, and biomedical sensors and to address industry and clinical needs.



**"In situ hybrid electrode assembly for brain machine interface"** is led by Young Jo Kim, assistant professor of chemical engineering, UNH. Brain-machine interfaces are an important emerging tool that could revolutionize neuroscience, therapeutic approaches and rehabilitation technologies. Brain-machine interfaces enable communication between the human nervous system and computing systems, serving as tools to accelerate progress in neuroscience and to repair, replace or augment neuromuscular function. This project will investigate the use of a naturally occurring biopolymer as the ideal charge-conducting material for brain-machine interfaces.



**"Establishing Bio-Ink Design Parameters for Extrusion-Based-Bio-Printing Processes"** is led by Md. Ahasan Habib, assistant professor of Sustainable Product Design and Architecture, Keene State College. Bio-printing is an emerging technology using a computer-controlled layer-by-layer deposition of biomaterials along with high precision positioning of cells to reproduce a 3D functional living tissue. The bio-printing process can manufacture highly intricate and porous 3D constructs that serve as a temporary structural support (known as a scaffold) for growing the isolated cells, providing nutrients to new tissues, facilitating the healing process, restoring the tissue function and minimizing the wound scar. This project will advance the development of materials that are compatible with the human body to support tissue regrowth in large scale.

## UNH sets record of \$130 million for competitive research funding

UNH closed fiscal year 2020 with a record \$129,815,354 in new grants and contracts, supporting projects ranging from improving NH preschool education to sustainable seafood. The Institute for the Study of Earth, Oceans, and Space (EOS), received \$60.2 million, the largest share of external funding in FY20. Other awards: the College of Health and Human Services (\$23.6 million); the College of Life Sciences and Agriculture (\$11.7 million); the College of Engineering and Physical Sciences (\$9 million); the College of Liberal Arts (\$5.3 million); the Extension (\$4.8 million); and Paul College (\$3.1 million).



## UNH: Sixth among US peers for turning research into social and economic impact

UNH is the sixth most productive mid-sized university in the U.S. when it comes to converting research funding into economic impact, according to a 2020 report from the George W. Bush Institute and the Opus Faveo Innovation Development consulting firm. UNH ranked just behind Princeton and Carnegie Mellon universities in the mid-sized category and ranked in the top 100 of all U.S. universities for innovation impact regardless of size or research budget.

"As New Hampshire's R1 public research university, we have a responsibility to extend the knowledge we generate into societal impact," says Marian McCord, UNH senior vice provost for research, economic engagement and outreach. "This ranking is wonderful recognition of our careful stewardship of the public's investment in UNH's research and innovation."





## DOE, USNH and CCSNH partnership for NH K-16

Last summer, the New Hampshire Department of Education launched iLearnNH, a statewide Learning Management System (LMS) that is open at no cost to New Hampshire schools. “Teachers can harness digital tools to improve in-class, as well as remote, instruction,” said Education Commissioner Frank Edelblut. “It will allow schools to be nimble should they face disruptions to education like COVID-19.”

“This LMS contract partnership between the DOE, USNH and CCSNH leverages the scale and buying power of the DOE and of our State’s two higher education systems and will provide significant economies and opportunity for innovative collaborations,” said Chancellor Todd Leach, USNH.

For districts who adopt the program, iLearnNH will create a seamless user experience between K-12 and USNH and CCSNH.

## Partnerships for GSC

With over 90% of the student population currently employed, Granite State College has a strong legacy of helping students meet their academic and professional goals by offering skills and techniques that employers value most. Through Learning Solutions, a portfolio of training and education-related services, GSC works directly with employers to help strengthen their workforce. From a robust online course delivery platform and validation of college-equivalent skills, to expert instructional designers for customized training, Learning Solutions can support an organization’s professional development, training and college completion goals.



From Left to Right: Mark Rubinstein, President of Granite State College; Dr. Brian Bicknell, Manchester Community College; Stacy Plourde '13 M.S. Leadership 2016, Northeast Delta Dental; Mayor Joyce Craig, City of Manchester; Michelle Harrington '15, City of Manchester; Christine Williams '19, Assistant Vice President of Enrollment Operations at Granite State College.

Growth in FY20 included enrollment partnerships with organizations such as Volunteer NH AmeriCorps, Concord Regional Visiting Nurses Association and Hospice of Southern Maine. Expansion of the professional development portfolio included supporting SOS Recovery Community Center with management and leadership training, and the City of Keene with project management training. Through Team Learning, the college supported Network4Health, Connections for Health, Riverbend Community Center and Easterseals together creating the Human Services and Addiction Studies team cohort. Additionally, Learning Solutions assisted NAMI-NH with additional customizations to their online training module, Suicide Prevention and Response.



## INDEPENDENT AUDITORS' REPORT

The Governor and  
Legislative Fiscal Committee,  
State of New Hampshire, and  
The Board of Trustees  
University System of New Hampshire

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the University System of New Hampshire (the System), a component unit of the state of New Hampshire, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Board of Trustees  
University System of New Hampshire

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the System as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

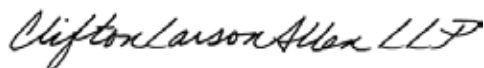
The 2019 financial statements of the System were audited by other auditors whose report dated October 30, 2019, expressed unmodified opinions on those statements.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information – retirement and OPEB plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 audit 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the System's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Quincy, Massachusetts  
October 23, 2020

# Management's Discussion and Analysis

June 30, 2020 and 2019 (Unaudited)

## I. Introduction

The following Management's Discussion and Analysis summarizes the financial condition and results of activities of the University System of New Hampshire (USNH) for the fiscal years ended June 30, 2020 and 2019. This analysis provides a comparison of significant amounts and measures to prior periods and, where appropriate, presents management's outlook for the future.

USNH is a Section 501(c)(3) corporation organized under the laws of the State of New Hampshire to serve the people of the state as the key provider of public higher education for bachelor's and advanced degree students. USNH accomplishes its mission by operating four educational institutions that collectively offer a broad array of education, research, and public services for the state. These institutions include the University of New Hampshire (UNH), Plymouth State University (PSU), Keene State College (KSC) and Granite State College (GSC). While select programs are active in other regions as well as abroad, most of USNH's activities take place at the three residential campuses (UNH Durham or UNHD, PSU and KSC). UNH-Manchester and UNH Franklin Pierce School of Law (UNHM and UNHL), the UNH Cooperative Extension and Small Business Development Centers located throughout the state and the six regional sites of GSC. The accompanying financial statements also include the activities and balances of the University of New Hampshire Foundation, Inc. (UNHF) and the Keene Endowment Association (KEA), two legally separate but affiliated entities. (See Note 1 to the Financial Statements for additional information on affiliated entities.)

## II. Economic Outlook

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of operations and activities. On March 13, 2020, the Governor of the State of New Hampshire declared a state of emergency related to COVID-19. Shortly after the declaration, the USNH Board of Trustees voted to close the institutions' residential and dining halls and shift to remote learning for its entire student body to protect the health of its students, staff, and faculty while staying true to its core mission of academics and research by transitioning all undergraduate and graduate course instruction to an online format through the end of the academic year. Additionally, in collaboration with the State and local hospitals, USNH residential institutions established Alternate Care Sites and utilized available resources to support the community needs.

USNH faces these challenging times with a solid balance sheet and liquid resources (\$224 million in cash and operating investments available at both June 30, 2020 and 2019), which management believes will help USNH offset near-term pressures arising due to this pandemic. The strength of management and governance at USNH is reflected in changes made across all units to reduce administrative and other expenses in response to the closing of residential and dining halls, which included furloughs, service agreement re-negotiations, and other action. The implementation of these measures allowed USNH to limit its losses to \$4 million, notwithstanding COVID-19 mitigation costs of \$39 million net of recoveries.

The USNH Board of Trustees and Management continue to address both the immediate and long-term financial challenges related to the outbreak with a focus on safety as well as cost containment efforts. USNH leadership has adopted plans for a multi-year cost restructuring program designed to address the combined impact of COVID-19 and the other economic challenges facing higher education. The primary elements of the cost restructuring program include the establishment of shared services models across several functions along with campus-specific initiatives. Also, the Board of

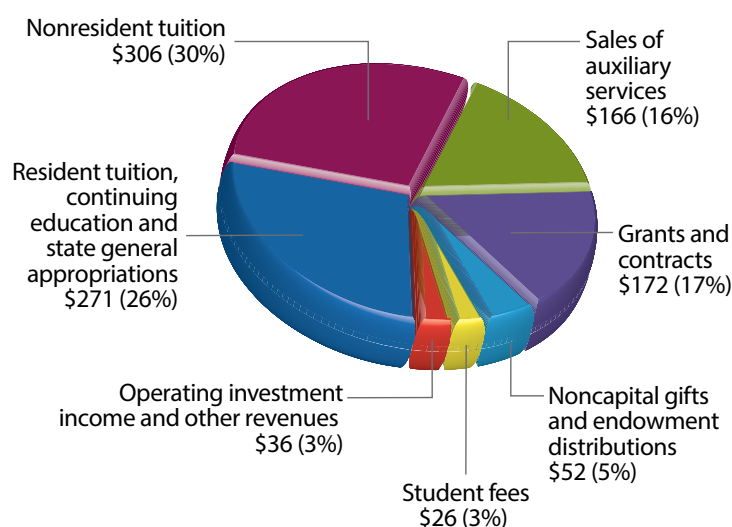
Trustees approved voluntary separation incentive programs for reduction of force for 2021. Working closely with the state and local communities, USNH institutions have reopened for the fall 2020 under a Hybrid Model with a blend of in-person and online learning and continue to focus on meeting both local and regional demands for quality education while protecting the health of its community members.

The remainder of this report describes the results of financial operations for the year ended June 30, 2020, with comparisons to prior years.

### Chart 1: 2020 Gross Revenues by Source

Total = \$1+ Billion

(\$ in millions)



## III. Financial Highlights

### A. Revenues

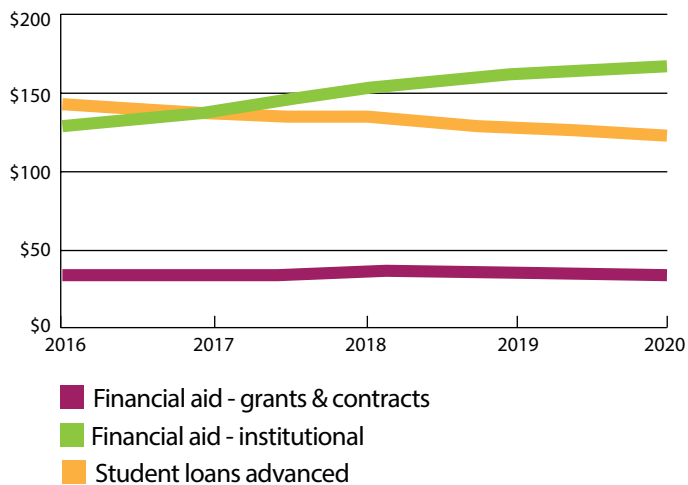
Chart 1 above shows USNH's revenue streams including those classified as non-operating revenues per GASB standards, which totaled approximately \$1 billion in both fiscal years 2020 and 2019. Given our tri-fold mission of instruction, research and public service, the vast majority of USNH revenues are generated by the provision of educational and auxiliary services. The portion of auxiliary services revenue decreased from 20% in fiscal year 2019 to 16% in fiscal year 2020 due to campus closure of residential and dining halls in response to the COVID-19 pandemic. The grants and contracts revenue portion increased by 2% (\$17 million) from the federal Cares Act for Higher Education Emergency Relief Fund (HEERF) and the State of NH Governor's Office for Emergency Relief and Recovery awards to mitigate cost related to COVID-19. For 2020, USNH received \$9 million in the institutional portion of the HEERF award, of which \$4 million were unearned as of June 30, 2020 and expected to be used during 2021.



As shown in Chart 2 below, institutional financial aid expenditures continue to surpass aid provided by grants and student loans issued.

## Chart 2: Student Aid Trends

(\$ in millions)



USNH has provided over \$1.6 billion in direct financial aid to students over the past ten years. Approximately \$332 million (21%) of this total was from grants and contracts. Over \$1 billion (72%) came from campus general funds, and the remaining 7% (\$114 million) was provided by gifts and athletics programs. USNH continues to focus on this area with the goal of limiting student and family loan debt for our students. Also, for 2020 students received \$5.6 million in direct aid relief for COVID-19 pandemic.

As seen in Table 1 below, enrollment at the flagship campus has remained stable over the past five years at an average of over 15,500 FTE students for all UNH

## Table 1: Full-Time Equivalent Credit Enrollment

For the Fall of Each Fiscal Year

	2016	2017	2018	2019	2020
UNH (all campuses)	15,657	15,473	15,669	15,629	15,141
PSU	4,674	4,641	4,694	4,772	4,409
KSC	4,250	4,160	3,758	3,487	3,434
GSC	1,658	1,584	1,446	1,468	1,444
<b>Total USNH FTEs</b>	<b>26,239</b>	<b>25,858</b>	<b>25,567</b>	<b>25,356</b>	<b>24,428</b>
NH Resident	13,742	13,240	12,940	12,842	12,413
Nonresident	12,497	12,618	12,627	12,514	12,015
<b>Total USNH FTEs</b>	<b>26,239</b>	<b>25,858</b>	<b>25,567</b>	<b>25,356</b>	<b>24,428</b>

locations combined. UNH's Durham campus had stable freshmen applications over the past three years as shown in Table 2. Their enrollment strategy remains focused on attracting exemplary students. Approximately 49% of new UNHD students in the fall of 2019 ranked in the top 25% of their high school class reflecting the continued quality of the population. UNH continues to work on four strategic principles to drive UNH to become one of the top 25 public universities in the US. These include enhancing student success and well-being, expanding excellence, embracing New Hampshire, and building financial strength.

For 2020 the residential campuses limited tuition rate increases for NH students to 2.5%, and GSC did not increase tuition for their NH-residents. Nonresident tuition revenues increased 0.6% (\$1.8 million) over the prior year. For the past three years approximately 51% of USNH students were NH residents when calculated on a full-time equivalency basis. New England has historically been known as a premier location for the pursuit of higher education, whether at a public or private institution. While that is still true, regional school age populations are expected to decrease over time, resulting in more competition for the smaller number of NH students.

USNH is working to ensure New Hampshire students are prepared to meet the needs of the State's workforce. While financial aid from grants has remained stagnant for the past several years, institutional financial aid grew 3.1% (\$5.0 million) in 2020 after a 6.1% (\$9.4 million) increase in 2019. USNH has also made significant changes in the way it awards financial aid. During 2018, UNH launched the Granite Guarantee program which covers the cost of tuition for all federal Pell-Grant eligible New Hampshire students. The sister USNH residential campuses were quick to follow suit. This program is funded with restricted gifts as well as unrestricted sources. The State is also partnering in this area by renewing its Governor's Scholarship Fund for NH resident students. A review of New Hampshire's school population data by age grouping suggests that our enrollment challenges will increase in future years. Planning for this possibility includes more programs for adult-learners currently in place at all campuses, and future capital project plans now include consideration of these impacts as well.

## Table 2: Freshman Applications, Acceptances and Enrollees at UNH Durham\*

For the Fall of Each Fiscal Year

	2016	2017	2018	2019	2020
Freshmen applications received	18,267	19,076	18,397	18,474	18,040
Acceptances as % of applications	83%	80%	83%	84%	84%
Enrolled as % of acceptances	21%	19%	20%	20%	18%

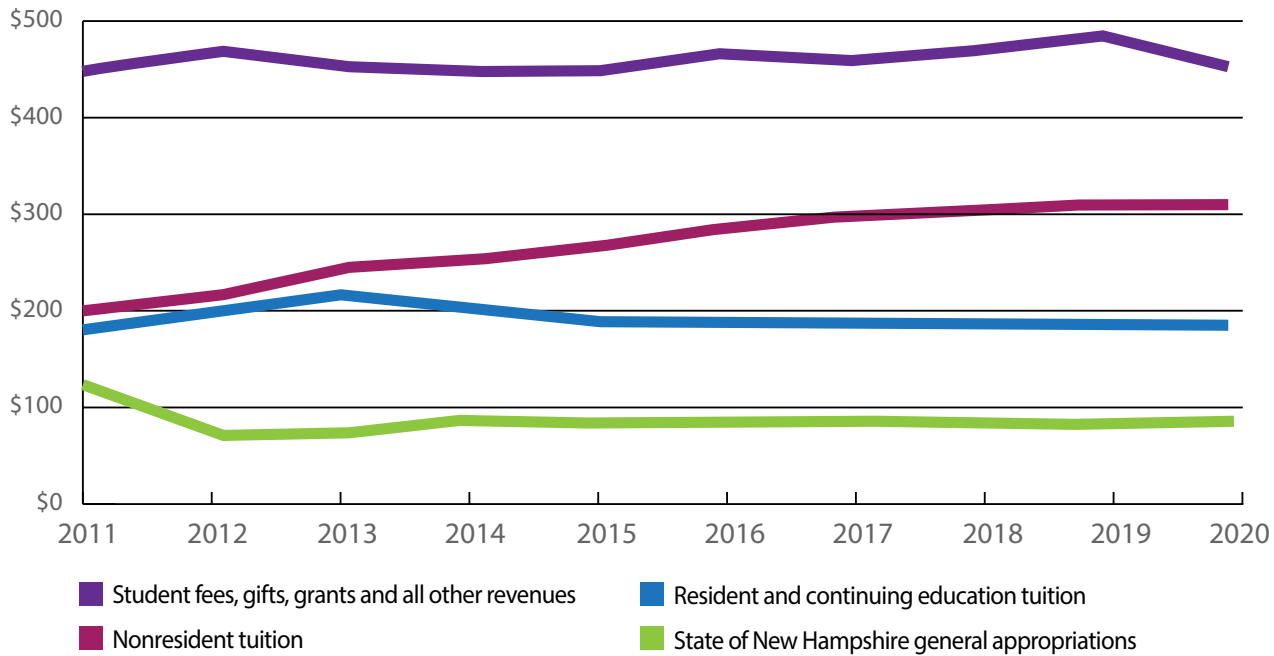
\* Comparable data for other campuses is available upon request.

Chart 3 below shows USNH's major revenue stream trends for the past ten years. As seen in the graph, state appropriation revenues were cut by 50% in 2012, which resulted in a significant increase in resident tuition rates for fiscal years 2012 and 2013. USNH then held resident tuition rates flat through 2015 as the appropriation was partially restored. Inflationary increases in the resident tuition rates were added for 2016 through 2020. During 2020, auxiliary revenue decreased by \$48 million (22%) compared to 2019. The decrease was due to room and board refunds to students when residential campuses closed their dorms and dining facilities in response to the COVID-19 pandemic. USNH revenues included one-time federal and state grant revenue of \$16 million, including \$5.6 million in student refund recoveries. As evidenced by the financial aid growth shown in Chart 2, USNH is committed to working with the State to ensure that New Hampshire's students have access to a quality education at an affordable price.

### Chart 3: Ten Year Revenue History

Before Application of Student Financial Aid

(\$ in millions)



### B. Expenditures

USNH's expenses (including expenses classified as nonoperating per GASB standards) decreased \$8.2 million or 1% over the 2019 level; and 2019 expenses decreased by \$3.4 million or 0.4% over 2018. The largest reduction over the prior year was in nongrant supplies and services \$19.5 million (11%). The reduction was mainly driven by \$6.4 million in rentals and service contracts, \$5.6 million related to the travel ban, \$4.4 million in food service reductions, and the remainder from other tighter spending controls put into place to mitigate the effects of COVID-19 pandemic. This is offset by COVID expense of \$9 million incurred in 2020, the employee compensation costs increase of \$3.3 million (1%), and the depreciation charges for buildings and equipment increase of \$3.6 million due to completion of several construction projects during 2020.

USNH recently restructured its purchasing activities to have all campus Procurement personnel report centrally. This model of local delivery with central oversight is designed to contain costs by combining our purchasing volumes across the state. As part of this initiative USNH contracted for a system-wide online purchasing system during 2018. This new system is designed to streamline business processes and provide tools needed for data driven procurement decision making. The tool is currently live at Granite State College and is expected to go live in the fall of 2020 for the rest of USNH institutions.



### Chart 4: Expenses by Functional Classification

(\$ in millions)

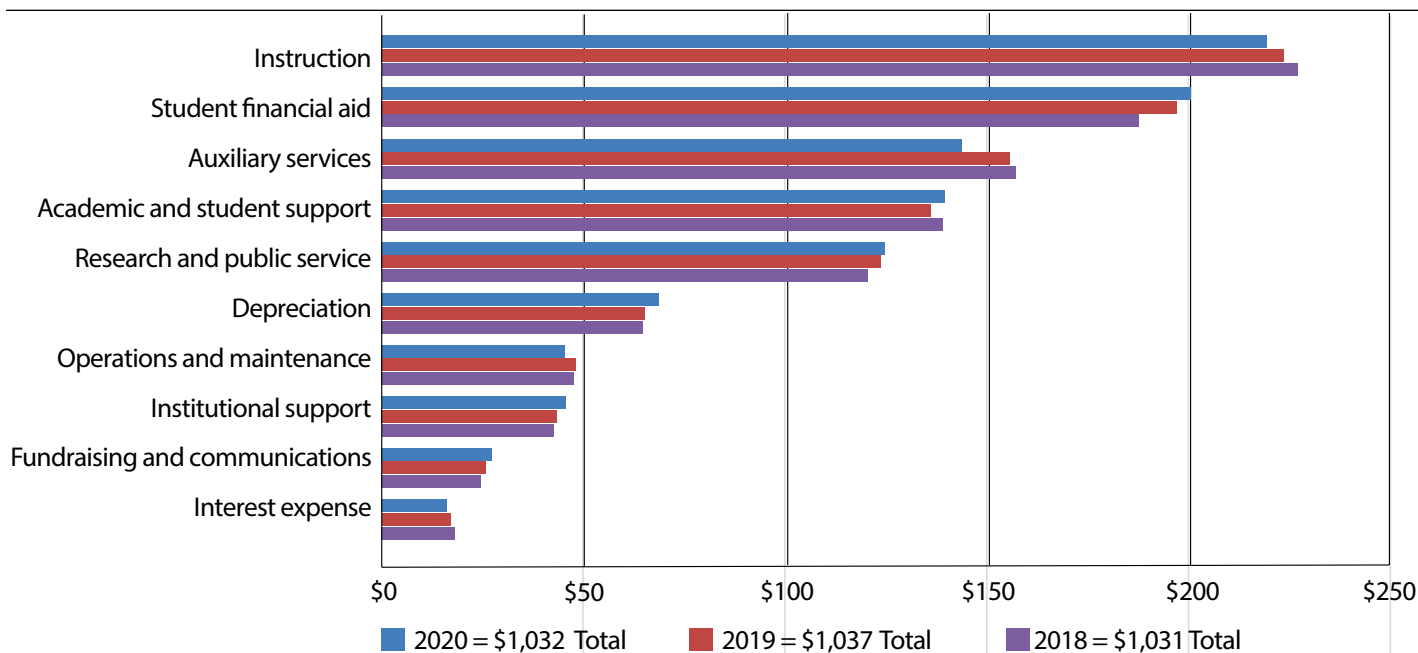


Chart 4 displays USNH's expenses for the past three years by functional, rather than natural, classification. The increases in financial aid discussed on the previous page are clearly depicted in the graph. That is the only cost category with such significant growth. (Additional detail on operating expenses by function can be found in Note 13 to the Financial Statements.)

### C. Capital spending

The campuses had several major capital projects completed during 2020 which included the Physical Education Center renovation (\$10 million) at PSU, the Bio-Manufacturing Innovation Center (\$4 million) at UNH Manchester, KSC's Mason Library expansion for Holocaust study materials funded primarily with gift proceeds (\$5 million), and the new water treatment plant that UNH shares with the town of Durham (\$17 million).

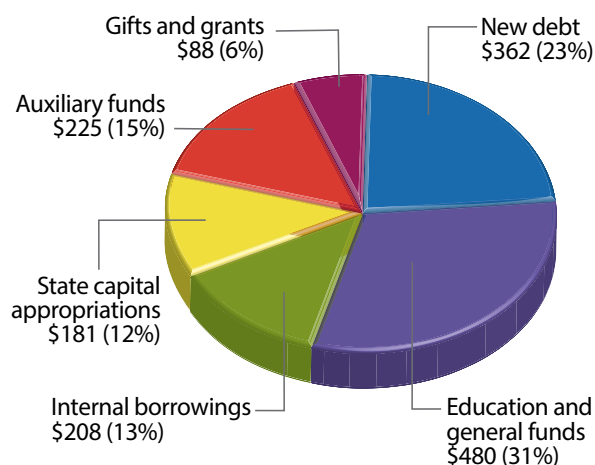
From 2002 to 2013, USNH received significant state capital appropriations to renovate specific academic buildings on each campus. During the past ten years operating and internal funds totaling \$141 million were used to supplement the state appropriations. Effective July 1, 2020, the State of New Hampshire appropriated \$42 million in capital funds for the Biological Sciences Spaulding Hall at UNH, PSU's Hyde Hall Innovation and Entrepreneurship Center renovation, and KSC's Elliot Student Service Success Center and Joslin Hall Classroom renovation to be spent through June 30, 2025. For 2020, \$10 million of the state capital appropriation were used for the Biological Sciences Spaulding Hall at UNH. UNH also received an additional state appropriation of \$9 million to add nursing program capacity with additional specializations in acute care and psychiatric mental health. The nursing program construction project was still under the predesign phase as of June 30, 2020. However, even with the additional state capital appropriation, there are still several buildings in need of improvement at each campus. USNH campuses must strategically prioritize the available limited funding for capital assets, while at the same time not allowing deferred maintenance needs to escalate. This work is needed to ensure USNH can meet the education and experiential needs of its students. In addition, USNH is only authorized to issue debt for self-supporting, auxiliary projects. The related debt service is then funded by student fees for each type of auxiliary service (housing, dining, or recreation). For 2020 and 2019, no new debt was issued.

Chart 5 below shows the funding sources for USNH's capital spending over the past fifteen years. USNH spent over \$1 billion during this time to construct and renovate buildings and infrastructure at all campuses. One of the largest sources of funding for the related projects was debt issuances of \$362 million. Plant and equipment depreciation expenses of \$593 million were recorded during the same period. (See Notes 5 and 8 to the Financial Statements for additional information on property and equipment, and debt balances.)

### Chart 5: Capital Funding Sources, 2006-2020

Total \$1.5 Billion

(\$ in millions)



## D. Investing Activities

Cash and short-term investment balances totaled approximately \$224 million on June 30, 2020 and June 30, 2019. (See Note 2 to the Financial Statements for additional information on cash, cash equivalents and short-term investments.) USNH's long-term investments are primarily derived from endowment gifts intended to be invested in perpetuity. With Board approval USNH also invests select large, current-use gifts, and unrestricted balances held centrally, as quasi-endowment funds. These amounts are invested in one of three venues depending on whether the donor contributed to a campus, the UNH Foundation (UNHF), or the Keene Endowment Association (KEA). The investment pools are managed to provide the highest rate of return over the long term given an acceptable level of risk as determined by the responsible fiduciaries. The USNH Consolidated Endowment Pool holds funds for the benefit of all campuses. The UNHF endowment pool holds funds for the benefit of UNH only, and the KEA pool holds funds for the benefit of KSC only. The USNH Board of Trustees has fiduciary responsibility for the USNH Pool, whereas the separate boards of UNHF and KEA have their own investment policies and are responsible for those investments. Below is a summary of USNH's endowment and similar investment values for the past three years.

**Table 3: Endowment and Similar Investments Market Value Summary**

(\$ in millions)

	As of June 30,		
	2020	2019	2018
USNH Pool	\$534	\$542	\$527
UNHF Pool	236	236	225
KEA Pool	14	10	9
Funds held in trust	15	16	16
Life Income/Annuity Funds	4	5	4
	<u>\$803</u>	<u>\$809</u>	<u>\$781</u>

While the two larger pools are primarily invested in funds, the KEA pool primarily holds individual stock and bond investments. As shown in Table 4 to the right, the KEA pool net gains over the past three years averaged 9.4% and the USNH and UNHF pools averaged 5.2% and 4.7%, respectively, before distributions. During fiscal year 2019, the Investment Committee of the USNH Board of Trustees voted to change the target asset allocations for investments in the USNH Endowment pool. The changes included increasing the targets for public and private global equities, while also reducing the targeted level of flexible capital investments. These changes will be incorporated over several years to ensure prior fund commitments are met. All three pools' returns were impacted by the financial market disruption and volatility during 2020.

Distributions from the endowment and trust funds totaled approximately \$35 million in fiscal year 2020. This compares to \$34 million for fiscal year 2019. The difference is primarily due to USNH beginning to payout on a quasi-endowment created several years ago to support debt service payments made by the campuses.

Distributions of approximately \$23 million were made from the USNH pool and trusts, along with \$12 million from the UNHF pool and \$419,000 from the KEA pool. Distributions represent a smaller percentage of the USNH pool because USNH holds several quasi-endowment funds for future, rather than current use. Volatility in returns has resulted in a limited number of endowment funds having market values less than the original gift value ("underwater" funds). The net negative returns for 2020 resulted in an increase in these underwater funds. Of the 1,525 endowment funds maintained in the various endowment pools, 123 remained underwater at June 30, 2020. This compares to 31 underwater endowment funds at June 30, 2019. The endowment funds were underwater by \$2 million at June 30, 2020, compared to \$710,000 at June 30, 2019. (See Notes 4 and 12 for further information on endowment and similar investments.)

**Table 4: Pooled Endowment Returns**

	Year - Ended June 30,			Three Year Average
	2020	2019	2018	
<b>USNH Pool</b>				
<b>Gross return</b>	1.9%	6.3%	8.4%	5.5%
<i>Investment management fees</i>	<u>(0.5%)</u>	<u>(0.5%)</u>	<u>(0.4%)</u>	<u>(0.5%)</u>
<b>Net return</b>	1.4%	5.8%	8.0%	5.0%
<i>Distributions</i>	<u>(4.2%)</u>	<u>(4.1%)</u>	<u>(3.2%)</u>	<u>(3.8%)</u>
<b>Net reinvested</b>	<u>(2.8%)</u>	<u>1.7%</u>	<u>4.8%</u>	<u>1.2%</u>
<b>UNHF Pool</b>				
<b>Gross return</b>	1.9%	5.6%	8.6%	5.4%
<i>Investment management fees</i>	<u>(0.8%)</u>	<u>(0.6%)</u>	<u>(0.7%)</u>	<u>(0.7%)</u>
<b>Net return</b>	1.1%	5.0%	7.9%	4.7%
<i>Distributions</i>	<u>(5.2%)</u>	<u>(3.8%)</u>	<u>(5.3%)</u>	<u>(4.8%)</u>
<b>Net reinvested</b>	<u>(4.1%)</u>	<u>1.2%</u>	<u>2.6%</u>	<u>(0.1%)</u>
<b>KEA Pool</b>				
<b>Gross return</b>	4.8%	10.9%	14.7%	10.1%
<i>Investment management fees</i>	<u>(0.7%)</u>	<u>(0.7%)</u>	<u>(0.7%)</u>	<u>(0.7%)</u>
<b>Net return</b>	4.1%	10.2%	14.0%	9.4%
<i>Distributions</i>	<u>(4.3%)</u>	<u>(4.5%)</u>	<u>(3.7%)</u>	<u>(4.2%)</u>
<b>Net reinvested</b>	<u>(0.2%)</u>	<u>5.7%</u>	<u>10.3%</u>	<u>5.2%</u>

## IV. Using the Financial Statements

### A. Statements of Net Position

The Statements of Net Position depict all USNH assets, liabilities, and deferred inflows/outflows of resources on June 30 each year, along with the resulting net financial position. An increase in net position over time is a primary indicator of an institution's financial health. Factors contributing to future financial health as reported on the Statements of Net Position include the value and liquidity of financial and capital investments, and balances of related obligations.



Table 5 below shows condensed information from the Statements of Net Position at June 30 for the past five years. Note that we have also included certain condensed information as of June 30, 2020 by campus herein as required by regional accreditation agencies.

**Table 5: Condensed Information from the Statements of Net Position as of June 30,**  
(\$ in millions)

	2016	2017	2018*	2019**	2020
Cash and short-term investments	\$ 228	\$ 213	\$ 206	\$ 224	\$ 224
Endowment and similar investments	655	730	781	809	803
Property and equipment, net	1,077	1,120	1,122	1,117	1,120
Other assets and deferred outflows of resources	<u>162</u>	<u>106</u>	<u>95</u>	<u>92</u>	<u>107</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>2,122</u>	<u>2,169</u>	<u>2,204</u>	<u>2,242</u>	<u>2,254</u>
Derivative instruments - interest rate swaps	37	26	18	23	29
Postretirement medical benefits	56	56	90	83	91
Long-term debt	519	501	488	465	439
Other liabilities and deferred inflows of resources	<u>169</u>	<u>152</u>	<u>160</u>	<u>173</u>	<u>198</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>781</u>	<u>735</u>	<u>756</u>	<u>744</u>	<u>757</u>
Net investment in capital assets	630	651	665	685	709
Restricted financial resources	405	454	481	495	497
Unrestricted financial resources	<u>306</u>	<u>329</u>	<u>302</u>	<u>318</u>	<u>291</u>
<b>Total Net Position</b>	<u>\$1,341</u>	<u>\$1,434</u>	<u>\$1,448</u>	<u>\$1,498</u>	<u>\$1,497</u>

\*Beginning net position restated to reflect the adoption of GASB 75 related to postretirement medical obligations

\*\*Beginning net position restated to reflect the adoption of GASB 83 related to asset retirement obligations

As shown above, cash and short-term investment balances have been relatively stable over the past five years. In 2017, endowment returns rebounded after net losses in the prior two years. The endowment gains were more moderate in 2018 and 2019, and slightly decreased in 2020, but overall increased \$148 million (23%) since 2016. The other assets balances above include investments of \$57 million, \$11 million, and \$4 million, held by our bond trustee related to our Series 2015 and 2016 bond issuances for 2016 through 2018, respectively. As of June 30, 2019, USNH no longer had any debt proceeds held by bond trustees.

Deferred inflows and outflows of resources include changes in the fair value of USNH's interest rate swap derivatives, as well as accounting gains and losses related to refinancing certain bonds outstanding. The impacts of changes in actuarial assumptions, differences between projected and actual earnings, and benefit payments made after the measurement dates of USNH benefit plans are also included in deferred inflows and outflows beginning in 2017 depending on the type of plan. Beginning in 2019, additional deferred inflows and outflows were recorded related to asset retirement obligations.

In 2020, USNH completed a biennial actuarial valuation according to the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for our postretirement medical obligations. The result was an increase of \$7 million in deferred outflows of resources due to a decrease of the discount rate used. The fair value of interest rate swap obligations resulted in an additional \$6 million increase in deferred outflows.

In 2018, the UNH Foundation also adopted the provisions of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which resulted in recording deferred inflows of approximately \$1 million and \$2 million in 2017 and 2018, respectively.

USNH has large liabilities related to long-term debt and postretirement medical benefits. Bond and capital lease principal payments ranged from \$19 million to \$24 million for fiscal years 2018 through 2020. The postretirement obligations represent the actuarially determined value of medical benefits provided to certain current and former employees for various periods, including the remaining life of the participants in some cases. (See Notes 7 and 8 to the Financial Statements for additional information in this regard.) The other liabilities balance above include accounts payable, accrued employee benefits, government advances refundable under the Perkins Loan Program, interest rate swap liabilities related to derivative instruments and unearned revenue. The increase in unearned revenue in 2020 is mainly due to \$18 million of credits refunds related to COVID-19 campus closures that students elected to apply to the subsequent semester.

Net position is reported in three categories. The net invested in capital assets amount represents the historical cost of property and equipment reduced by total accumulated depreciation and the balance of related debt outstanding for certain auxiliary buildings. Restricted financial resources include balances of current and prior year gifts for specified purposes such as scholarships or academic programs, as well as campus endowment balances which were required to be invested in perpetuity by the original donors (\$296 million and \$282 million at June 30, 2020 and 2019, respectively). Unrestricted financial resources represent net assets that are available for any future use without legal restriction. (See Note 14 to the Financial Statements for further details on the components of net position.) A breakdown of asset, liability, and net position balances by campus as of June 30, 2020 is shown below.

**Table 5A: Condensed Information from the Statement of Net Position as of June 30, 2020  
Presented by Campus**

(\$ in millions)

	University of New Hampshire Campuses & Foundation	Plymouth State University	Keene State College & Endowment Association	Granite State College	Chancellor's Office	Total University System of New Hampshire
Cash and short-term investments	\$ 187	\$ 22	\$ 37	\$22	\$ (44)	\$ 224
Endowment and similar investments	406	30	44	8	315	803
Property and equipment, net	753	186	168	7	6	1,120
Other assets and deferred outflows of resources	<u>48</u>	<u>5</u>	<u>7</u>	<u>1</u>	<u>46</u>	<u>107</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>1,394</u>	<u>243</u>	<u>256</u>	<u>38</u>	<u>323</u>	<u>2,254</u>
Derivative instruments - interest rate swaps	–	–	–	–	29	29
Postretirement medical benefits	64	12	11	2	2	91
Long-term debt	174	95	93	–	77	439
Other liabilities and deferred inflows of resources	<u>108</u>	<u>16</u>	<u>11</u>	<u>2</u>	<u>61</u>	<u>198</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>346</u>	<u>123</u>	<u>115</u>	<u>4</u>	<u>169</u>	<u>757</u>
Net investment in capital assets	575	90	75	7	(38)	709
Restricted financial resources	416	26	46	9	–	497
Unrestricted financial resources	<u>57</u>	<u>4</u>	<u>20</u>	<u>18</u>	<u>192</u>	<u>291</u>
<b>Total Net Position</b>	<u>\$1,048</u>	<u>\$ 120</u>	<u>\$141</u>	<u>\$34</u>	<u>\$154</u>	<u>\$1,497</u>

## B. Statements of Revenues, Expenses and Changes in Net Position

This statement reports total operating revenues, operating expenses, other revenues and expenses, and other changes in net position, as prescribed and defined by the Governmental Accounting Standards Board (GASB). There are three major components which management considers separately when analyzing the increase (decrease) in total net position: increase (decrease) in Net Position Before Other Changes (also referred to as operating margin); capital appropriations and other plant changes; and endowment gifts and net returns. The increase (decrease) in Net Position Before Other Changes is further broken down into operating and nonoperating as prescribed by GASB reporting standards which require that certain USNH recurring revenues be shown as nonoperating. This includes state general appropriations, federal Pell grants, noncapital gifts, operating investment income, the portion of endowment returns used to fund the related programs, and other revenue sources that are defined as nonoperating revenues by GASB. These revenue streams are important sources of funds used to supplement tuition and fees revenue. Accordingly, operating and nonoperating revenue and expense, together, constitute the indicator of recurring revenues and expenses for USNH.



Table 6 shows condensed information from the Statements of Revenues, Expenses and Changes in Net Position for the five years ended June 30, 2020.

The net tuition and fees revenue in these statements reflects the size and type of student enrollments, as well as student financial needs and academic achievement. Auxiliary services reflect revenues from student housing, dining, and other facility programs. Grants and contracts revenues reflect amounts reimbursed by USNH sponsors including the US government, State of New Hampshire, and other entities. These revenues may also come from awards to other institutions that are later contracted out to USNH campuses. Total operating and nonoperating revenues were down \$35 million in 2020, primarily due to decreases in auxiliary services. Expenses were down \$8 million in 2020, after a decrease of \$3 million in 2019.

The increase(decrease) in net position before other changes reflects USNH's operating margin each year. USNH's operating margin for 2020 was (0.4%) of net revenues. This is primarily due to room and board refunds and costs related to COVID-19 pandemic as discussed previously.

Endowment gifts totaled \$15 million in 2020, \$18 million in 2019, and \$16 million in 2018. The investment return after distributions resulted in losses of \$24 million in 2020 after gains of \$9 million in 2019 and \$29 million in 2018. The volatility of endowment returns is a significant driver of the change in total net position each year. Table 6A on the following page provides condensed information from the Statements of Revenues, Expenses and Changes in Net Position presented by campus for the year ended June 30, 2020.

**Table 6: Condensed Information from the Statements of Revenues, Expenses and Changes in Net Position for the Years Ended June 30,**

*(\$ in millions)*

	2016	2017	2018	2019	2020
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 491	\$501	\$514	\$ 522	\$517
Less: student financial aid	<u>(162)</u>	<u>(172)</u>	<u>(188)</u>	<u>(197)</u>	<u>(200)</u>
Net tuition and fees	329	329	326	325	317
Grants and contracts	123	121	127	129	131
Sales of auxiliary services	211	216	215	215	166
Other operating revenue	<u>29</u>	<u>30</u>	<u>30</u>	<u>32</u>	<u>29</u>
<b>Total Operating Revenues</b>	<u>692</u>	<u>696</u>	<u>698</u>	<u>701</u>	<u>643</u>
<b>OPERATING EXPENSES</b>					
Employee compensation	528	520	533	535	538
Supplies and services	203	210	208	204	191
Utilities, depreciation and amortization	<u>80</u>	<u>81</u>	<u>84</u>	<u>84</u>	<u>87</u>
<b>Total Operating Expenses</b>	<u>811</u>	<u>811</u>	<u>825</u>	<u>823</u>	<u>816</u>
<i>Operating loss</i>	<i>(119)</i>	<i>(115)</i>	<i>(127)</i>	<i>(122)</i>	<i>(173)</i>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State of New Hampshire general appropriations	81	81	81	81	86
Other nonoperating grant revenue	25	25	26	26	41
Noncapital gifts, investment income and other revenues	50	41	44	56	59
Interest expense, net	<u>(19)</u>	<u>(20)</u>	<u>(18)</u>	<u>(17)</u>	<u>(16)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>137</u>	<u>127</u>	<u>133</u>	<u>146</u>	<u>170</u>
<b>Increase (Decrease) in Net Position Before Other Changes</b>	<u>18</u>	<u>12</u>	<u>6</u>	<u>24</u>	<u>(3)</u>
<b>OTHER CHANGES IN NET POSITION</b>					
Endowment gifts and returns, net	(30)	70	45	27	(10)
State capital appropriations and other changes	<u>3</u>	<u>11</u>	<u>5</u>	<u>2</u>	<u>12</u>
<b>Total Other Changes in Net Position</b>	<u>(27)</u>	<u>81</u>	<u>50</u>	<u>29</u>	<u>2</u>
Effect of adoption of new accounting standards	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(2)</u>	<u>-</u>
<b>Total Increase (Decrease) in Net Position</b>	<u>\$ (9)</u>	<u>\$ 93</u>	<u>\$ 14</u>	<u>\$ 51</u>	<u>\$ (1)</u>

**Table 6A: Condensed Information from the Statement of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2020 Presented by Campus**

(\$ in millions)

	University of New Hampshire Campuses & Foundation	Plymouth State University	Keene State College & Endowment Association	Granite State College	Chancellor's Office	Total University System of New Hampshire
<b>OPERATING REVENUES</b>						
Tuition and fees	\$367	\$ 73	\$ 61	\$16	\$ –	\$517
Less: student financial aid	(140)	(29)	(25)	(6)	–	(200)
Net tuition and fees	227	44	36	10	–	317
Grants and contracts	122	3	3	3	–	131
Sales and auxiliary services	114	25	27	–	–	166
Other operating revenue	19	2	4	–	4	29
<b>Total Operating Revenues</b>	<u>482</u>	<u>74</u>	<u>70</u>	<u>13</u>	<u>4</u>	<u>643</u>
<b>OPERATING EXPENSES</b>						
Employee compensation	394	58	60	14	12	538
Supplies and services	146	21	25	4	(5)	191
Utilities, depreciation and amortization	60	14	13	–	–	87
<b>Total Operating Expenses</b>	<u>600</u>	<u>93</u>	<u>98</u>	<u>18</u>	<u>7</u>	<u>816</u>
Operating loss	(118)	(19)	(28)	(5)	(3)	(173)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
State of New Hampshire general appropriations	59	12	12	3	–	86
Other nonoperating grant revenue	20	7	6	3	5	41
Noncapital gifts, investment income and other revenues	42	3	4	1	9	59
Interest expense, net	(7)	(3)	(4)	–	(2)	(16)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>114</u>	<u>19</u>	<u>18</u>	<u>7</u>	<u>12</u>	<u>170</u>
<b>Increase (Decrease) in Net Position Before Other Changes</b>	<u>(4)</u>	<u>–</u>	<u>(10)</u>	<u>2</u>	<u>9</u>	<u>(3)</u>
<b>OTHER CHANGES IN NET POSITION</b>						
Endowment gifts and returns, net	(7)	1	4	–	(8)	(10)
State capital appropriations and other changes	9	(2)	(2)	–	7	12
<b>Total Other Changes in Net Position</b>	<u>2</u>	<u>(1)</u>	<u>2</u>	<u>–</u>	<u>(1)</u>	<u>2</u>
<b>Total Increase (Decrease) in Net Position</b>	<u>\$ (2)</u>	<u>\$ (1)</u>	<u>\$ (8)</u>	<u>\$ 2</u>	<u>\$ 8</u>	<u>\$ (1)</u>

### C. Statements of Cash Flows

The Statements of Cash Flows summarize transactions affecting cash and cash equivalents. Table 7 below shows summary information from the Statements of Cash Flows for the five years ended June 30, 2020.

**Table 7: Condensed Information from the Statements of Cash Flows for the Years Ended June 30,**

(\$ in millions)

	2016	2017	2018	2019	2020
<b>Cash flows from:</b>					
Receipts from tuition and fees, net	\$331	\$332	\$328	\$327	\$348
Receipts from sales of auxiliary services	208	217	214	216	165
Receipt of state general appropriations	81	81	81	81	86
Noncapital gifts, grants and other receipts	193	188	203	198	212
Payments to and on behalf of employees	(518)	(543)	(537)	(532)	(532)
Payments for supplies, services and utilities	(222)	(227)	(227)	(222)	(211)
<b>Net Cash Provided by Operating and Noncapital Financing Activities</b>	73	48	62	68	68
<b>Net Cash Used in Capital Financing Activities</b>	(110)	(120)	(83)	(78)	(90)
<b>Net Cash Provided by Investing Activities</b>	26	69	10	30	12
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>	<u>\$ (11)</u>	<u>\$ (3)</u>	<u>\$ (11)</u>	<u>\$ 20</u>	<u>\$ (10)</u>

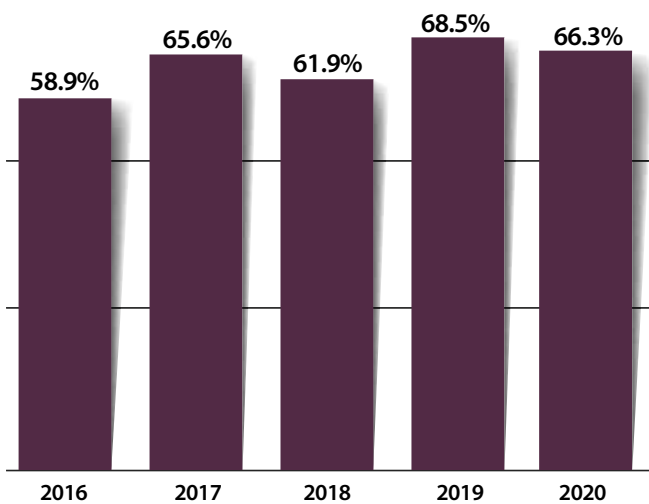


These statements provide information about cash collections and cash payments made by USNH each year. The statements are designed to help readers assess our ability to generate the cash flows necessary to meet current and future obligations. Cash flows from operating activities will always be different than the operating results on the Statements of Revenues, Expenses and Changes in Net Position because of the inclusion of noncash items, such as depreciation expense, and because the latter statement is prepared on the accrual basis of accounting, meaning that it shows revenues when earned and expenses as incurred. The decrease in cash flows from operating and noncapital financing activities is primarily related to refunds of room and board and other fees due to COVID-19 pandemic. The net cash used in capital financing activities for 2020 increased primarily due to construction of the Biological Sciences Spaulding Hall at UNH, 2018 and 2019 were lower since most of the 2016 and 2017 investments generated by USNH's recent bond issuances had already been liquidated in prior years. The cash provided by investing activities in 2020 is lower because endowment investment transactions were volatile in 2020.

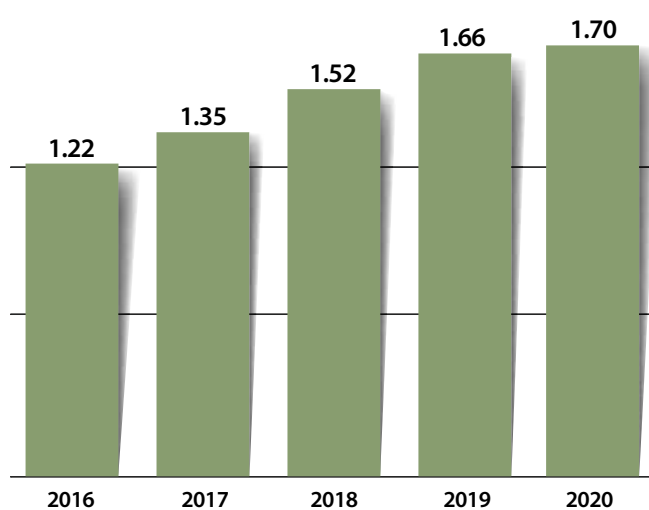
### D. Financial Indicators

Historically, USNH has used unrestricted financial resources to external debt outstanding (UFR to Debt) as the primary indicator of its financial health. In October 2019, USNH Financial Affairs Committee of the Board of Trustees replaced this ratio with the Spendable Cash and Investments to Debt (SCI to Debt) as a measure of liquidity to align with Moody's new methodology. The UFR to Debt ratio uses the unrestricted net position balance as the numerator and the total long-term debt balance outstanding as the denominator. The SCI to Debt ratio uses wealth that can be accessed over time or for a specific purpose to repay bondholders. USNH's targeted unrestricted financial resources to debt ratio is 50% or above, and the targeted SCI to Debt ratio is 1.3 or above. The average of UFR to Debt over the past five years was 64.2%, and 1.49 for the SCI to Debt ratio. Both ratios reflect sufficient available support for ongoing initiatives. (See Notes 8 and 14 to the Financial Statements for additional information in this regard).

**Chart 6: Unrestricted Financial Resources to Total Debt**



**Chart 7: Spendable Cash to Debt**



# University System of New Hampshire

## Statements of Net Position

(\$ in thousands)

	Balance at June 30,	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 65,339	\$ 75,422
Short-term investments	158,907	148,166
Accounts receivable, net	31,298	22,031
Pledges receivable - current portion	2,537	3,292
Notes receivable - current portion	2,070	2,196
Prepaid expenses and other current assets	7,415	9,230
Total Current Assets	267,566	260,337
<b>Noncurrent Assets</b>		
Endowment and similar investments - campuses	549,393	557,984
Endowment and similar investments - affiliated entities	253,526	251,249
Pledges receivable, net of current portion	3,936	4,810
Notes receivable, net of current portion	11,070	14,293
Pension assets, net of obligations	432	311
Property and equipment, net of accumulated depreciation	1,119,925	1,117,361
Total Noncurrent Assets	1,938,282	1,946,008
<b>TOTAL ASSETS</b>	<b>2,205,848</b>	<b>2,206,345</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>48,775</b>	<b>35,977</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	64,113	65,231
Deposits and unearned revenues	68,879	40,242
Accrued employee benefits - current portion	6,673	6,760
Postretirement medical benefits - current portion	4,412	5,331
Long-term debt - current portion	27,315	26,203
Total Current Liabilities	171,392	143,767
<b>Noncurrent Liabilities</b>		
Asset retirement and other obligations	10,646	5,787
Refundable government advances	13,229	17,513
Accrued employee benefits, net of current portion	24,467	24,702
Postretirement medical benefits, net of current portion	86,131	77,515
Derivative instruments - interest rate swaps	29,262	22,976
Long-term debt, net of current portion	411,678	439,016
Total Noncurrent Liabilities	575,413	587,509
<b>TOTAL LIABILITIES</b>	<b>746,805</b>	<b>731,276</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>10,474</b>	<b>12,500</b>
<b>NET POSITION</b> (see Note 14)		
Net investment in capital assets	709,337	685,015
Restricted		
Nonexpendable	296,353	281,701
Expendable	200,667	213,337
Unrestricted	290,987	318,493
<b>TOTAL NET POSITION</b>	<b>\$1,497,344</b>	<b>\$1,498,546</b>

See accompanying notes to the financial statements.



## University System of New Hampshire Statements of Revenues, Expenses and Changes in Net Position

(\$ in thousands)

	For the year ended June 30,	
	2020	2019
<b>OPERATING REVENUES</b>		
Resident tuition	\$ 166,003	\$ 166,236
Nonresident tuition	305,555	307,332
Continuing education tuition	19,222	19,574
Student fees revenue	26,148	28,514
Total tuition and fees	516,928	521,656
Less: student financial aid - grants and contracts	(31,922)	(33,460)
Less: student financial aid - all other	(168,333)	(163,308)
Net tuition and fees	316,673	324,888
Grants and contracts - direct revenues	108,488	107,258
Grants and contracts - facilities & administrative recovery	22,363	21,718
Sales of auxiliary services	166,370	214,511
Other operating revenues	28,921	32,266
<b>TOTAL OPERATING REVENUES</b>	<b>642,815</b>	<b>700,641</b>
<b>OPERATING EXPENSES</b>		
Employee compensation - grants and contracts	64,791	62,965
Employee compensation - all other	473,209	471,763
Supplies and services - grants and contracts	35,738	30,010
Supplies and services - all other	154,823	174,369
Utilities	18,059	18,583
Depreciation and amortization	69,015	65,349
<b>TOTAL OPERATING EXPENSES</b>	<b>815,635</b>	<b>823,039</b>
Operating loss	(172,820)	(122,398)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State of New Hampshire general appropriations	85,500	81,000
Federal Pell grants	24,440	25,968
Other nonoperating grant revenue	16,429	-
Noncapital gifts	17,411	13,510
Endowment and investment income	41,667	42,024
Interest expense, net	(16,330)	(17,154)
Other nonoperating revenue	137	252
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>169,254</b>	<b>145,600</b>
<b>INCREASE (DECREASE) IN NET POSITION BEFORE OTHER CHANGES</b>	<b>(3,566)</b>	<b>23,202</b>
<b>OTHER CHANGES IN NET POSITION</b>		
State of New Hampshire capital appropriations	10,082	-
Plant gifts, grants and other changes, net	1,693	2,722
Endowment and similar gifts	14,719	17,793
Endowment return, net of amount used for operations	(24,130)	8,895
<b>TOTAL OTHER CHANGES IN NET POSITION</b>	<b>2,364</b>	<b>29,410</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(1,202)</b>	<b>52,612</b>
Net Position at Beginning of Year	1,498,546	1,445,934
<b>NET POSITION AT END OF YEAR</b>	<b>\$1,497,344</b>	<b>\$1,498,546</b>

See accompanying notes to the financial statements.

## University System of New Hampshire Statements of Cash Flows

(\$ in thousands)

	For the year ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from tuition and fees, net of student financial aid	\$ 348,306	\$ 327,183
Receipts from sales of auxiliary services	164,603	216,302
Receipts from grants, contracts and other operating revenues	154,421	158,173
Payments to employees	(401,392)	(391,815)
Payments for employee benefits	(130,909)	(140,449)
Payments for supplies, services and utilities	(210,722)	(222,225)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(75,693)</b>	<b>(52,831)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State general appropriations	85,500	81,000
Federal Pell and other nonoperating grants	39,318	26,221
Noncapital gifts	18,488	13,300
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>143,306</b>	<b>120,521</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
State appropriations for plant projects	10,052	1,237
Plant gifts and grants	5,199	4,774
Endowment gifts	14,720	18,878
Proceeds from issuance of debt and sale of property	–	234
Debt principal payments	(24,292)	(21,057)
Interest payments	(17,870)	(18,419)
Purchases and construction of property	(77,823)	(63,178)
<b>NET CASH USED IN CAPITAL FINANCING ACTIVITIES</b>	<b>(90,014)</b>	<b>(77,531)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	445,894	481,725
Purchases of investments	(440,107)	(462,430)
Investment income	6,531	10,840
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>12,318</b>	<b>30,135</b>
Increase (Decrease) in cash and cash equivalents	\$ (10,083)	\$ 20,294
Beginning cash and cash equivalents	75,422	55,128
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$ 65,339</b>	<b>\$ 75,422</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$(172,820)	\$(122,398)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	69,015	65,349
Changes in assets and liabilities:		
Accounts receivable, net	(3,689)	(2,641)
Notes receivable	(935)	5,127
Prepaid expenses and other current assets	1,815	(1,640)
Accounts payable and accrued expenses	7,976	6,574
Deposits and unearned revenues	24,787	472
Accrued employee benefits	(1,842)	(3,674)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (75,693)</b>	<b>\$(52,831)</b>
<b>SIGNIFICANT NONCASH TRANSACTIONS</b>		
Endowment return, net of amount used for operations	\$ (24,131)	\$ 8,895
Loss on disposal of capital assets	(2,962)	(1,237)
Construction services payable balance	5,681	9,147

See accompanying notes to the financial statements.

# Notes to the Financial Statements

June 30, 2020 and 2019

## 1. Summary of significant accounting policies and presentation

The University System of New Hampshire (USNH) is a not-for-profit institution of higher education created in 1963 as a body politic and corporate under the laws of the State of New Hampshire (the State) and is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. USNH is considered a component unit of the State for financial reporting purposes. The accompanying financial statements include the accounts of the University of New Hampshire (UNH), Plymouth State University (PSU), Keene State College (KSC), and Granite State College (GSC) as well as certain affiliated entities discussed below. UNH, PSU, KSC and GSC are collectively referred to in the accompanying financial statements as “campuses.”

### Affiliated entities and related parties

Governmental accounting standards require that all potential component units be evaluated for inclusion in the financial statements of the primary government of the reporting entity. USNH's policy on Foundations Established for the Benefit of USNH or its Component Institutions states that the USNH Board of Trustees retains control over the activities of any affiliated foundation. The USNH policy further states that USNH has the legal authority to terminate the existence of any affiliated foundation, at which time ownership of the related assets would revert to USNH. Two legally separate affiliated foundations are impacted by this policy and, accordingly, are considered blended component units of USNH. The University of New Hampshire Foundation, Inc. (UNHF) and the Keene Endowment Association (KEA) are collectively referred to in the accompanying financial statements as “affiliated entities.” The associated revenues, expenses, assets, liabilities, deferred inflows, deferred outflows and net position of UNHF and KEA are fully consolidated with those of the campuses in the accompanying financial statements, and all associated inter-entity activity has been eliminated.

UNHF, Inc. was incorporated in 1989 as a not-for-profit, tax-exempt organization. Its purpose is to solicit, collect, invest and disburse funds for the sole benefit of the University of New Hampshire. The University of New Hampshire funds a portion of the operating expenses of UNHF. UNHF is governed by its own Board of Directors, the membership of which includes the President of the University of New Hampshire and up to three other members of the USNH Board of Trustees. UNHF has a separate financial statement audit each year. Condensed financial information for UNHF is included in Note 16. The KEA was organized in 1957 as a separate charitable entity to provide financial assistance to deserving students at Keene State College. Income is distributed at the discretion of the Trustees of KEA.

### Basis of accounting

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

USNH follows the requirements of the “business-type activities” (BTA) model as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis for Public Colleges and Universities*. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services. The Statement requires that resources be classified into the following net position categories, as more fully detailed in Note 14:

**Net investment in capital assets:** Property and equipment at historical cost or fair value on date of acquisition, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition or construction of those assets.

**Restricted Nonexpendable:** Resources subject to externally imposed stipulations that they be maintained permanently by USNH. These funds include the historical gift value of restricted true endowment funds.

**Restricted Expendable:** Resources whose use by USNH is subject to externally imposed stipulations. Such funds include the accumulated net gains on donor-restricted “true” endowment funds; the fair value of restricted funds functioning as endowment; restricted funds loaned to students; restricted gifts and endowment income; and other similarly restricted funds.

**Unrestricted:** Resources that are not subject to externally imposed stipulations. Substantially all unrestricted net position funds are designated to support academic, research, or auxiliary enterprises; invested to function as endowment; or committed to capital construction projects.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. The most significant areas that require management estimates relate to valuation of certain investments and derivative instruments, useful life and related depreciation of capital assets, and accruals for postretirement medical and other employee-related benefits.

Investments are maintained with established financial institutions whose credit is evaluated by management and the respective governing boards of USNH and its affiliated entities. Investments of operating cash in money market and other mutual funds are generally recorded as cash equivalents. These amounts are invested for purposes of satisfying current operating liabilities and generating investment income to support ongoing operations. Short-term investments represent highly liquid amounts held for other current liabilities.

Property and equipment are recorded at original cost for purchased assets or at fair value on the date of donation in the case of gifts. Equipment with a unit cost of \$5,000 or more is capitalized. Building improvements with a cost of \$50,000 or greater are also capitalized. Net interest costs incurred during the construction period for major, debt-funded, capital projects are added to the cost of the underlying asset. The value of equipment acquired under capital leases is recorded at the present value of the minimum lease payments at the inception of the lease. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets. The cost of certain research buildings is componentized for the purpose of calculating depreciation. Buildings and improvements are depreciated over useful lives ranging from 4 to 50 years. Depreciable lives for equipment range from 3 to 30 years. (See Note 5 for additional information on depreciation.) USNH does not record donated works of art and historical treasures that are held for exhibition, education, research, and public service.

Library collections are recorded as an expense in the period purchased, except for UNH School of Law library collections which are capitalized annually and depreciated over a ten-year period on a straight-line basis.

Deposits and unearned revenue consist of amounts billed or received in advance of USNH providing goods or services. Advances from the U.S. Government for Federal Perkins Loans to students are reported as government advances refundable. Federal Direct Loan proceeds are posted to student accounts as approved and drawn weekly.

Operating revenues include tuition and fees, grants and contracts, sales of auxiliary services, and other operating revenues. Tuition and fee revenues are reported net of student financial aid discounts and allowances. Operating expenses include employee compensation and benefits, supplies and services, utilities, and depreciation. Operating expenses also include early retirement and other separation



incentive stipends and benefits promised to certain employees in exchange for termination of employment. All such termination benefits are accrued as of the date the termination agreements are signed and are presented at net present value at year end. In 2020, the operating expenses also included the use of federal Cares Act for Higher Education Emergency Relief Fund and the State of New Hampshire Governor's Office for Emergency Relief and Recovery awards. Nonoperating revenues (expenses) include all other revenues and expenses except certain changes in long-term plant, endowment and other net position funds, which are reported as other changes in net position. Operating revenues are recognized when earned and expenses are recorded when incurred. Restricted grant revenue is recognized only to the extent of applicable expenses incurred or, in the case of fixed-price contracts, when the contract terms are met or completed.

Unconditional pledges of nonendowment gifts are presented net of estimated amounts deemed uncollectible after discounting to the present value of expected future cash flows. Because of uncertainties regarding their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met. In accordance with GASB requirements, endowment pledges expected to be received over the next ten years, totaling \$7,317,000 and \$11,094,000 at June 30, 2020 and 2019, respectively, have not been reported in the accompanying financial statements. USNH generally uses restricted funds first when an expense is incurred where both restricted and unrestricted funds are available.

Endowment return used for operations per application of the Board-approved endowment spending policy is reported as nonoperating revenue. Net realized and unrealized gains/losses and interest/dividend income earned on endowment and similar investments, together with the excess (deficiency) of these earnings over the return used for operations, are reported as other changes in net position.

The System's financial statements include comparative financial information. Certain prior year amounts have been reclassified to conform to the current year presentation.

## New reporting standards

As allowed under GASB Statement No 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the System postponed by one year the adoption of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for fiscal year ended June 30, 2020, and later.

## 2. Cash, cash equivalents and short-term investments

Cash, cash equivalents, and short-term investments are recorded at fair value. USNH's investment policy and guidelines specify permitted instruments, durations, required ratings and insurance of USNH cash, cash equivalents and short-term investments. The investment policy and guidelines are intended to mitigate credit risk on investments individually and in the aggregate through restrictions on investment type, liquidity, custodian, dollar level, maturity, and rating category. Money market funds are placed with the largest national fund managers. These funds must be rated AA/Aa by Standard & Poor's and Moody's Investor Service and comply with Securities and Exchange Commission Rule 2A-7. Repurchase agreements must be fully collateralized at 102% of the face value by US Treasuries, or 103% of the face value by US Government-backed or guaranteed agencies or government sponsored enterprises. In addition, USNH investments may not exceed 5% of any institution's total deposits or 20% of any institution's net equity.

Cash equivalents represent amounts invested to satisfy current operating liabilities and include repurchase agreements, money market funds and other mutual funds. Repurchase agreements are limited to overnight investments only. Short-term investments are highly liquid amounts held to support specific current liabilities. Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk, and the related mutual funds are not rated. Cash and cash equivalents totaled \$65,339,000 and \$75,422,000 at June 30, 2020 and 2019, respectively, and short-term investments totaled \$158,907,000 and \$148,166,000 at June 30, 2020 and 2019, respectively. See Note 4 for additional information on fair value classifications.

The components of cash, cash equivalents and short-term investments are summarized below (*\$ in thousands*):

	Balances and Terms as of June 30, 2020				Balances and Terms as of June 30, 2019			
	Level 1	Level 2	Total	Weighted Average Maturity	Level 1	Level 2	Total	Weighted Average Maturity
Cash balance	\$ 13,969	\$ –	\$ 13,969	Less than 1 year	\$ 29,431	\$ –	\$ 29,431	Less than 1 year
Repurchase agreements	–	7,166	7,166	Less than 1 year	–	7,625	7,625	Less than 1 year
Money market funds	44,204	–	44,204	Less than 1 year	38,366	–	38,366	Less than 1 year
<b>Subtotal cash and cash equivalents</b>	<u>58,173</u>	<u>7,166</u>	<u>65,339</u>		<u>67,797</u>	<u>7,625</u>	<u>75,422</u>	
Money market funds	35,287	–	35,287	Less than 1 year	34,046	–	34,046	Less than 1 year
Domestic equity	643	–	643	Less than 1 year	338	–	338	Less than 1 year
Mutual funds	95,072	–	95,072	1-5 years	86,372	–	86,372	1-5 years
Corporate bonds	–	14,419	14,419	1-5 years	–	14,312	14,312	1-5 years
US government and agencies	–	11,880	11,880	1-5 years	–	11,987	11,987	1-5 years
Municipal bonds	–	1,573	1,573	1-5 years	–	1,085	1,085	1-5 years
Convertible note	–	33	33	1-5 years	–	26	26	1-5 years
<b>Subtotal short-term investments</b>	<u>131,002</u>	<u>27,905</u>	<u>158,907</u>		<u>120,756</u>	<u>27,410</u>	<u>148,166</u>	
<b>Total cash, cash equivalents and short-term investments</b>	<u>\$189,175</u>	<u>\$35,071</u>	<u>\$224,246</u>		<u>\$188,553</u>	<u>\$35,035</u>	<u>\$223,588</u>	

### 3. Accounts, pledges, and notes receivable

**Accounts receivable** at June 30 consisted of the following (*\$ in thousands*):

	2020	2019
Grants and contracts	\$25,117	\$17,185
Student and general	8,988	7,751
State of NH capital projects	30	–
Allowance for doubtful accounts	<u>(2,837)</u>	<u>(2,905)</u>
<b>Total accounts receivable, net</b>	<u>\$31,298</u>	<u>\$22,031</u>

**Pledges receivable** at June 30 consisted entirely of unconditional nonendowment promises to pay as follows (*\$ in thousands*):

	2020	2019
Pledges receivable	\$8,651	\$11,223
Discounts and allowance for doubtful pledges	<u>(2,178)</u>	<u>(3,121)</u>
<b>Total pledges receivable, net</b>	6,473	8,102
Less: noncurrent portion	<u>(3,936)</u>	<u>(4,810)</u>
<b>Current portion</b>	<u>\$2,537</u>	<u>\$ 3,292</u>

**Notes receivable** at June 30 consisted primarily of student loan funds as follows (*\$ in thousands*):

	2020	2019
Perkins loans	\$13,528	\$17,157
Other loans, restricted and unrestricted	1,031	751
Allowance for doubtful loans	<u>(1,419)</u>	<u>(1,419)</u>
<b>Total notes receivable, net</b>	13,140	16,489
Less: noncurrent portion	<u>(11,070)</u>	<u>(14,293)</u>
<b>Current portion</b>	<u>\$ 2,070</u>	<u>\$ 2,196</u>

### 4. Investments

USNH's investment policy and guidelines specify permitted instruments, duration and required ratings for pooled endowment funds. The policy and guidelines are intended to mitigate risk on investments individually and in the aggregate while maximizing total returns and supporting intergenerational equity of spending levels. Illiquid investments are limited to 20% of the USNH consolidated endowment pool. Credit risk is mitigated by due diligence in the selection and continuing review of investment managers as well as diversification of both investment managers and underlying investments. Except in unusual circumstances, no more than 15% of total portfolio assets may be invested in any one actively managed strategy. If an investment manager is retained to manage more than one strategy, that manager will be limited to 20% of total portfolio assets. Passively managed investment strategies will not be limited within the portfolio; however, any one manager of passive strategies will be limited to 20% of total portfolio assets. Any manager positions exceeding these limits will be reviewed by the Finance Committee for Investments and this committee will decide the appropriate course of action to bring active manager exposures back in line with the concentration limit. Private global equity investments are limited to 20% of the endowment pool. No USNH endowment investments were denominated in foreign currencies as of June 30, 2020 or June 30, 2019.

GASB Statement No. 72, *Fair Value Measurement and Application*, requires that USNH categorize assets measured at fair value using a three-tiered hierarchy based on the valuation methodologies employed. The hierarchy includes the following:

**Level 1** — Value based on quoted prices (unadjusted) in active markets for identical assets that are accessible at the measurement date

**Level 2** — Value based on inputs other than quoted prices that are observable for an asset either directly or indirectly; and

**Level 3** — Value based on unobservable inputs for an asset

In determining fair value of investment assets, USNH utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. As a practical expedient to estimate the fair value of USNH's interests, certain investments in commingled funds and limited partnerships are reported at the net asset value (NAV) determined by the respective fund managers, without adjustment when assessed as reasonable by USNH, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Because these investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, and such differences could be material. As of June 30, 2020 and 2019, USNH had no plans or intentions to sell such investments at amounts different from NAV. Investments reported at NAV as a practical expedient are not categorized in the fair value hierarchy.

The endowment and similar investment holdings of the campuses and affiliated entities as of June 30, 2020 and 2019, respectively, are summarized below (*\$ in thousands*):

	Campuses		Affiliated Entities	
	2020	2019	2020	2019
Pooled endowments:				
Campuses	\$533,687	\$541,633	\$ –	\$ –
UNH Foundation	–	–	235,797	236,326
Keene Endowment Association	–	–	13,585	9,643
Life income and annuity funds	81	86	4,144	5,280
Funds held in trust	<u>15,625</u>	<u>16,265</u>	–	–
<b>Total</b>	<u>\$549,393</u>	<u>\$557,984</u>	<u>\$253,526</u>	<u>\$251,249</u>

The majority of USNH's investments are units of institutional commingled funds and limited partnerships invested in equity, fixed income, hedge, natural resources, private equity, or real estate strategies. Hedge strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments which are valued by the investment manager. To the extent quoted prices exist the manager would use those; when these are not available, other methodologies maximizing observable inputs would be used for the valuation, such as discounted cash flow analysis, capitalization of current or stabilized net operating income, replacement costs, or sales contracts and recent sales comparable in the market. Private equity funds employ buyout, growth, venture capital, and distressed security strategies. Real asset funds generally hold interests in private real estate. Fixed income securities had maturities up to 15 years and 28 years at June 30, 2020 and 2019, respectively, and carried ratings ranging from AAA to Baa2 as of June 30, 2020 and 2019. The mutual fund investments held in the endowment pools are not rated.

The following table summarizes the fair value of USNH's investments by type ordered alphabetically (\$ in thousands):

	Balances as of June 30, 2020					Balances as of June 30, 2019				
	Investments Classified in Fair Value Hierarchy			Investments Measured at NAV	Total	Investments Classified in Fair Value Hierarchy			Investments Measured at NAV	Total
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3		
<b>Endowment and similar investments – campuses</b>										
Domestic equity	\$117,869	\$ –	\$ –	\$ 72,443	\$190,312	\$ 145,635	\$ –	\$ –	\$ 64,745	\$210,380
Global fixed income	54,321	–	–	–	54,321	18,553	38,740	–	–	57,293
Hedge funds:										
Distressed/Restructuring	–	–	–	18,297	18,297	–	–	–	20,273	20,273
Equity Hedge	–	–	–	33,365	33,365	–	–	–	26,138	26,138
Event-Driven	–	–	–	61,501	61,501	–	–	–	39,422	39,422
Fund of Funds	–	–	–	5,755	5,755	–	–	–	36,904	36,904
Inflation hedging assets	8,090	–	–	9,523	17,613	–	8,602	–	11,117	19,719
International equity	21,330	–	–	53,440	74,770	31,192	–	–	58,046	89,238
Money market	36,012	–	–	–	36,012	4,790	–	–	–	4,790
Private equity & non-marketable real assets	–	–	–	41,822	41,822	–	–	–	37,561	37,561
Trust funds	–	15,625	–	–	15,625	–	16,266	–	–	16,266
Total endowment and similar investments – campuses	\$237,622	\$15,625	\$ –	\$296,146	\$549,393	\$200,170	\$63,608	\$ –	\$294,206	\$557,984
<b>Endowment and similar investments – affiliated entities</b>										
Domestic equity	\$ 17,824	\$ –	\$ –	\$ 44,849	\$ 62,673	\$ 38,803	\$ –	\$ –	\$31,491	\$ 70,294
Global fixed income	14,744	1,915	4,242	1,662	22,563	19,162	2,134	4,176	1,883	27,355
Hedge funds:										
Distressed/Restructuring	–	–	–	39,546	39,546	–	–	–	32,064	32,064
Diversified	–	–	–	4,900	4,900	–	–	–	241	241
Equity Hedge	–	–	–	21,612	21,612	–	–	–	20,931	20,931
Inflation hedging assets	3,337	6,691	–	274	10,302	2,664	9,575	–	197	12,436
International equity	16,579	–	–	39,100	55,679	17,336	–	–	41,231	58,567
Money market	10,921	–	–	–	10,921	8,083	–	–	–	8,083
Private equity & non-marketable real assets	–	–	–	25,330	25,330	–	–	–	21,278	21,278
Total endowment and similar investments – affiliated entities	\$ 63,405	\$ 8,606	\$4,242	\$177,273	\$253,526	\$ 86,048	\$11,709	\$4,176	\$149,316	\$251,249
<b>Total endowment and similar investments</b>	<b>\$301,027</b>	<b>\$ 24,231</b>	<b>\$4,242</b>	<b>\$473,419</b>	<b>\$802,919</b>	<b>\$ 286,218</b>	<b>\$75,317</b>	<b>\$4,176</b>	<b>\$443,522</b>	<b>\$809,233</b>

As of June 30, 2020, USNH had one equity hedge fund in a lock-up period set to expire in nine months. As of June 30, 2020, UNHF had no remaining lock up periods within its hedge funds. Fixed income, private equity and real estate funds classified as illiquid have no ability to be redeemed at this time. For USNH, of the 37 funds classified as illiquid, twelve are currently in liquidation; one is expected to start liquidation within the next year; fifteen are expected to start liquidation in 2 to 15 years, and nine currently have no expected liquidation dates. For UNHF, 18 funds are classified as illiquid and are expected to be liquidated over the next one to 11 years.

As of June 30, 2020, USNH has one outstanding investment liquidation request which has been limited by the respective fund managers. As of June 30, 2019, USNH had two outstanding investment liquidation requests, of which one was fully liquidated in 2020. USNH's estimated fair values of these investments at June 30, 2020 and 2019 are \$63,000 and \$78,000, respectively. It is uncertain when, or if, the funds will be fully collected at the NAV recorded.

Unfunded commitments with various private equity and similar alternative investment funds totaled \$44,251,000 for USNH and \$22,749,000 for UNHF at June 30, 2020. This compares to \$30,957,000 and \$16,878,000, respectively, at June 30, 2019.



Investment liquidity for the past two years is aggregated below based on redemption terms or availability (\$ in thousands):

Liquidity Terms as of June 30, 2020								
	Daily	Monthly	Quarterly	Semi-Annual	Annual	illiquid	Total	Redemption Notice Period
<b>Endowment and similar investments – campuses</b>								
Money market	\$ 36,012	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 36,012	Daily
Global fixed income	54,321	–	–	–	–	–	54,321	Daily
International equity	21,330	53,440	–	–	–	–	74,770	1-10 days
Inflation hedging assets	8,090	9,523	–	–	–	–	17,613	1-15 days
Domestic equity	117,869	–	72,443	–	–	–	190,312	1-60 days
Hedge funds:								
Equity Hedge	–	–	32,908	–	457	–	33,365	60 days
Event-Driven	–	–	24,867	36,634	–	–	61,501	60-90 days
Distressed/Restructuring	–	–	–	–	18,297	–	18,297	90 days
Fund of Funds	–	–	–	–	–	5,755	5,755	illiquid
Private equity & non-marketable real assets	–	–	–	–	–	41,822	41,822	illiquid
Funds held in trust	–	–	–	–	–	15,625	15,625	illiquid
Total endowment and similar investments – campuses	<u>\$237,622</u>	<u>\$62,963</u>	<u>\$130,218</u>	<u>\$36,634</u>	<u>\$18,754</u>	<u>\$ 63,202</u>	<u>\$549,393</u>	
<b>Endowment and similar investments – affiliated entities</b>								
Money market	\$ 10,921	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 10,921	Daily
Inflation hedging assets	10,302	–	–	–	–	–	10,302	Daily
Global fixed income	17,232	1,089	–	–	1,540	2,702	22,563	Daily, annually, illiquid
Domestic equity	23,667	5,000	34,006	–	–	–	62,673	1-60 days
International equity	30,614	16,859	8,206	–	–	–	55,679	1-90 days
Hedge funds:								
Equity Hedge	–	–	21,612	–	–	–	21,612	30-90 days
Diversified	–	–	–	4,804	96	–	4,900	60 days
Distressed/Restructuring	–	–	7,580	10,487	21,479	–	39,546	60-90 days
Private equity & non-marketable real assets	–	–	–	–	–	25,330	25,330	illiquid
Total endowment and similar investments - affiliated entities	<u>\$ 92,736</u>	<u>\$22,948</u>	<u>\$ 71,404</u>	<u>\$ 15,291</u>	<u>\$23,115</u>	<u>\$ 28,032</u>	<u>\$ 253,526</u>	
<b>Total endowment and similar investments</b>	<u>\$330,358</u>	<u>\$85,911</u>	<u>\$ 201,622</u>	<u>\$ 51,925</u>	<u>\$41,869</u>	<u>\$ 91,234</u>	<u>\$802,919</u>	

Liquidity Terms as of June 30, 2019								
	Daily	Monthly	Quarterly	Semi-Annual	Annual	illiquid	Total	Redemption Notice Period
<b>Endowment and similar investments – campuses</b>								
Money market	\$ 4,790	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 4,790	Daily
Global fixed income	57,293	–	–	–	–	–	57,293	Daily
Inflation hedging assets	8,602	11,117	–	–	–	–	19,719	1-30 days
International equity	31,192	58,046	–	–	–	–	89,238	1-30 days
Domestic equity	145,635	–	64,745	–	–	–	210,380	1-60 days
Hedge funds:								
Equity Hedge	–	–	24,986	–	1,153	–	26,139	50-60 days
Event-Driven	–	–	19,795	19,626	–	–	39,421	60-65 days
Distressed/Restructuring	–	–	–	–	20,273	–	20,273	90 days
Fund of Funds	–	–	–	–	–	36,904	36,904	illiquid
Private equity & non-marketable real assets	–	–	–	–	–	37,561	37,561	illiquid
Funds held in trust	–	–	–	–	–	16,266	16,266	illiquid
Total endowment and similar investments – campuses	<u>\$247,512</u>	<u>\$69,163</u>	<u>\$109,526</u>	<u>\$19,626</u>	<u>\$21,426</u>	<u>\$ 90,731</u>	<u>\$ 557,984</u>	
<b>Endowment and similar investments – affiliated entities</b>								
Money market	\$ 8,083	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 8,083	Daily
Inflation hedging assets	12,436	–	–	–	–	–	12,436	Daily
Global fixed income	22,126	1,053	–	–	1,585	2,591	27,355	Daily, illiquid
Domestic equity	39,902	–	30,392	–	–	–	70,294	1-60 days
International equity	32,327	18,192	8,048	–	–	–	58,567	1-90 days
Hedge funds:								
Diversified	–	–	–	–	241	–	241	45-60 days
Distressed/Restructuring	–	–	20,011	–	12,053	–	32,064	45-90 days
Equity Hedge	–	–	15,465	5,466	–	–	20,931	60-90 days
Private equity & non-marketable real assets	–	–	–	–	–	21,278	21,278	illiquid
Total endowment and similar investments - affiliated entities	<u>\$114,874</u>	<u>\$19,245</u>	<u>\$ 73,916</u>	<u>\$ 5,466</u>	<u>\$13,879</u>	<u>\$ 23,869</u>	<u>\$ 251,249</u>	
<b>Total endowment and similar investments</b>	<u>\$362,386</u>	<u>\$88,408</u>	<u>\$183,442</u>	<u>\$25,092</u>	<u>\$35,305</u>	<u>\$114,600</u>	<u>\$809,233</u>	

## 5. Property and equipment

Property and equipment activity for the years ended June 30, 2020 and 2019 is summarized as follows (\$ in thousands):

	Balance June 30, 2018	2019		Balance June 30, 2019	2020		Balance June 30, 2020
		Additions	Retirements & Changes		Additions	Retirements & Changes	
Land	\$ 15,588	\$ 62	\$ (24)	\$ 15,626	\$ 1,508	\$ 828	\$ 17,962
Buildings and improvements	1,801,107	38,405	(5,239)	1,834,273	38,948	(14,351)	1,858,870
Equipment	138,587	13,527	(11,303)	140,811	20,556	(9,041)	152,326
Construction in progress, net	42,862	48,425	(38,467)	52,820	53,789	(40,457)	66,152
<b>Total property and equipment</b>	1,998,144	100,419	(55,033)	2,043,530	114,801	(63,021)	2,095,310
Less: accumulated depreciation	(876,133)	(65,257)	15,221	(926,169)	(68,831)	19,615	(975,385)
<b>Property and equipment, net</b>	<u>\$1,122,011</u>	<u>\$ 35,162</u>	<u>\$ (39,812)</u>	<u>\$1,117,361</u>	<u>\$ 45,970</u>	<u>\$ (43,406)</u>	<u>\$1,119,925</u>

Contractual obligations for major construction projects totaled approximately \$50,014,000 and \$20,538,000 at June 30, 2020 and 2019, respectively.

## 6. Accrued employee benefits

Accrued employee benefit obligations at June 30 are summarized below (\$ in thousands):

	Balance June 30, 2018	2019		Balance June 30, 2019	2020		Balance June 30, 2020	Current Portion
		Payments to/ on Behalf of Participants	Expenses & Other Changes		Payments to/ on Behalf of Participants	Expenses & Other Changes		
Additional retirement contribution	\$ 2,294	\$ (200)	\$ 77	\$ 2,171	\$ (217)	\$ 105	\$ 2,059	\$ 217
Employee separation incentives	3,169	(1,661)	759	2,267	(1,447)	1,284	2,104	1,740
Long-term disability	2,087	(429)	386	2,044	(455)	443	2,032	455
Workers' compensation	3,291	(1,216)	1,148	3,223	(952)	600	2,871	952
Compensated absences	20,847	(2,088)	2,004	20,763	(2,074)	2,168	20,857	2,193
Other benefits	965	–	29	994	–	223	1,217	1,116
<b>Total accrued employee benefits</b>	<u>\$32,653</u>	<u>\$ (5,594)</u>	<u>\$4,403</u>	<u>\$31,462</u>	<u>\$ (5,145)</u>	<u>\$4,823</u>	<u>\$31,140</u>	<u>\$6,673</u>

The **Additional Retirement Contribution** program is a single employer plan administered by USNH and offered to eligible employees hired between July 1, 1994 and June 30, 2011. Under this plan, staff meeting certain voluntary defined benefit plan contribution levels receive an additional 1% of their salary contributed to their defined contribution retirement plan (see below) by USNH in lieu of post-retirement medical benefits. Employees meeting certain service guidelines prior to July 1, 1994 are also eligible for a guaranteed minimum employer retirement contribution of \$10,000 plus an additional \$1,000 for each year of service in excess of 20 less 1% of the participant's salary account. There were 295 and 307 active employees meeting the requirements for the guaranteed minimum employer contribution as of June 30, 2020 and 2019, respectively.

The calculations for the Additional Retirement Contribution program are based on the benefits provided by the program at the time of the last biennial actuarial valuation, December 31, 2019, and were developed using the Entry Age Normal Actuarial Cost Method. The discount rate used in determining the accrued liabilities was 2.74% and 4.09% for 2020 and 2019, respectively, based on Bond Buyer 20-Bond General Obligation index rate as of the measurement date. Inflation rates of 2.5% and salary increase rates of 3% were used to determine the liability along with the PubG.H-2010 General Employee Headcount-weighted Mortality Table projected generationally with Scale MP-2019. USNH accrued \$2,059,000 and \$2,171,000 at June 30, 2020 and 2019, respectively, for the related obligations. If the discount rate were to increase by 1%, the total liability at June 30, 2020 would be \$1,990,000. Similarly, if the discount rate were to decrease by 1%, the total liability at June 30, 2020 would be \$2,129,000. The Additional Retirement Contribution program expense was (\$55,000) and (\$52,000) for fiscal years 2020 and 2019, respectively.

USNH had designated cash assets to fully fund the Additional Retirement Contribution obligations at June 30, 2020 and 2019. These assets are not administered through a trust. The Additional Retirement Contribution program is not available to employees hired after June 30, 2011. Eligible employees hired after June 30, 2011 may elect to participate in USNH's defined contribution retirement plans administered by others. Retirement contributions by USNH for employees enrolled in the defined contribution plans range from 4% to 10% of eligible salaries for enrolled participants. USNH additions to the defined contribution plans totaled \$28,385,000 and \$27,923,000 in 2020 and 2019, respectively. Retirement contributions by plan members totaled \$28,183,000 and \$28,048,000 in 2020 and 2019, respectively.

Early retirement and employee separation incentive programs were provided to various faculty and staff during 2020 and 2019. Such incentives include stipends, as well as medical, educational, and other termination benefits. The future costs associated with these incentive options is accrued as of the date of acceptance into the program. The liability balances of \$2,104,000 and \$2,267,000 at June 30, 2020 and 2019 represent obligations for 66 and 65 participants, respectively, which will be remitted in fiscal years 2021 through 2024.

USNH sponsors other benefit programs for its employees, including long-term disability, workers' compensation, and compensated absences. Long-term disability payments are provided through an independent insurer. The associated medical benefits are accrued and paid by USNH until age 65, at which point the postretirement medical plan takes over, if applicable. Workers' compensation accruals include amounts for medical costs and annual stipends. A small number of chronic workers' compensation cases will require stipends and regular employee medical benefits for life. Coverage for such claims is provided through an independent insurer. USNH also accrues amounts for compensated absences as earned. These accrued balances at June 30 represent vacation and earned time amounts payable to employees upon termination of employment.

USNH is self-insured for a portion of certain risks, including workers' compensation, employee long-term disability, and certain student health insurance claims. Most employee and retiree medical and dental coverage provided by USNH is also self-insured. The costs of self-insured medical and dental claims and administrative fees totaled \$66,106,000 and \$65,632,000 for fiscal year 2020 and 2019, respectively. These amounts include \$4,212,000 and \$4,192,000 for estimated claims incurred but not reported as of June 30, 2020 and 2019, respectively.

In conjunction with the primary medical plan offering for active employees, USNH purchases stop-loss coverage which limits the USNH cost of claims to \$500,000 per participant in most cases. The liabilities recorded in the financial statements for all USNH self-insured programs are developed by third party claim administrators and based on historical claims data. Management reviewed the calculations for reasonableness and believes the liabilities are sufficient to cover the actual claims incurred.

In addition to the benefits accruals included above, USNH created and fully funded a trust to hold assets set aside for its **Operating Staff Retirement Plan** on June 29, 2017. The related asset and liability values are not included in the financial statements. The related investment balances as of June 30, 2020 and 2019 are summarized below (*\$ in thousands*):

Trust Investment Components	2020	2019
Cash and equivalents	\$ 206	\$ 274
Fixed income	2,862	2,641
Equities	2,720	3,193
Real assets	75	78
<b>Total including accrued income</b>	<u>\$5,863</u>	<u>\$6,186</u>

The plan has been closed to new participants since 1987. At June 30, 2020 there were approximately 165 current annuitants and 27 participants with deferred benefits, all fully vested. This compares to 176 current annuitants and 32 participants with deferred benefits as of June 30, 2019. The determination of total pension liabilities for this program was based on actuarial calculations completed by the plan trustee as of June 30, 2020 and 2019. The calculations were developed using the Entry Age Normal Actuarial Cost Method and the PubG-2010 Total Dataset with MP-2019 mortality tables. The 2019 valuation used Scale MP-2019. The discount rate used was 5.5% in both years based on the long-term expected rate of return on the related investments. The plan fiduciary net position was \$5,863,000 as of June 30, 2020 and \$6,186,000 as of June 30, 2019 which resulted in the recording of a net pension asset of \$432,000 and \$311,000 for fiscal years 2020 and 2019, respectively. The actuarially determined liability for the program was \$5,430,000 as of June 30, 2020 and \$5,875,000 as of June 30, 2019. If the discount rate were to increase by 1%, the net pension asset at June 30, 2020 would be \$812,000. Similarly, if the discount rate were to decrease by 1%, the net pension liability at June 30, 2020 would be \$2,000. The plan expense was \$129,000 and \$193,000 for fiscal years 2020 and 2019, respectively.

## 7. Postretirement medical benefits

The primary defined benefit postretirement medical plan has two components. The first offering known as the Medicare Complementary Plan (MCP), was optional for full-time status employees hired before July 1, 1994 and not offered to new employees after that date. At December 31, 2019 and 2018, respectively, there were 943 and 946 former employees receiving benefits under this program along with their eligible dependents. As of December 31, 2019 and 2018, there were 133 and 155 active employees, respectively, who along with their dependents, may eventually be eligible to receive benefits under this program. The MCP provides limited medical coverage for the remaining life of the participants. There are no costs to participate in the plan, but retirees must pay a portion of the actual costs of services rendered.

Employees hired on July 1, 1994 or later are eligible for the current offering which provides bridge coverage only for retirees aged 62-65. Retired employees must have reached age 62, completed at least 10 years of benefits-eligible service, and participated in the active retirement plans during their last 10 years of benefits-eligible service, and participated in USNH's active medical plan at the time of retirement in order to be eligible for the plan. Retirees contribute to the plan at then-current employee medical rates during the bridge period. As of December 31, 2019 and 2018, respectively, there were 68 and 128 retirees receiving benefits under this program along with their dependents. As of December 31, 2019 and 2018, respectively, there were also 3,563 and 3,570 active employees who, along with their dependents, may eventually be eligible to receive benefits under this program. The primary postretirement medical plan holds no assets. Together, the above offerings constitute the primary postretirement medical plan. This is an Other Post-Employment Benefits (OPEB) single-employer plan and funded on a pay-as-you-go basis with benefits paid when due.

Third-party actuaries are used to determine the postretirement benefit obligation and annual expense amounts. Actuarial calculations reflect a long-term perspective. Such calculations involve estimates and, by definition, are subject to revision. The healthcare cost trend and discount rate assumptions have a significant effect on the amounts reported.

The components of postretirement medical liability as of June 30, 2020 and 2019 were as follows (*\$ in thousands*):

Postretirement Medical Plan Liability	2020	2019
Service costs	\$ 1,247	\$ 1,359
Interest	3,339	3,024
Benefit payments	(5,085)	(6,381)
Changes of benefit terms	(318)	-
Difference between expected and actual experience	850	-
Changes in assumptions	7,664	(4,968)
<b>Net change</b>	7,697	(6,966)
<b>Liability at beginning of year</b>	<u>82,744</u>	<u>89,710</u>
<b>Liability at end of year</b>	<u>\$90,441</u>	<u>\$82,744</u>
<b>Current portion</b>	<u>\$ 4,412</u>	<u>\$ 5,331</u>



The total postretirement benefit obligation is measured at December 31, 2019 for the June 30, 2020 financial statements based on the last biennial actuarial valuation, December 31, 2019, developed using the Entry Age Normal Actuarial Cost Method and the PubT.H-2010 mortality tables with Scale MP-2019. A rollforward calculation was performed for the December 31, 2018 measurement date based on the biennial actuarial valuation to calculate postretirement benefit obligation for the June 30, 2019 financial statements using the Entry Age Normal Cost Method and the RP-2014 employee mortality tables with Scale MP-2016. For measurement purposes the 2020 and 2019 initial rate of increase in the cost of healthcare services was assumed to be 6.5% for participants, reduced by 0.25% each year thereafter until reaching an ultimate rate of 4.5% per year. The initial increase in the cost of prescriptions was assumed to be 8.5%, reduced by 0.25% each year thereafter until reaching an ultimate rate of 4.5% per year for 2020 and 9.5% decreasing 0.5% each year thereafter until reaching an ultimate rate of 4.5% per year for 2019. Salary increases of 3.0% were included in the calculations for fiscal year 2020 and 2019. A single discount rate of 2.74% and 4.10% was used based on the Bond Buyer 20-Bond General Obligation index rate as of December 31, 2019 and 2018, respectively. The actuarially determined postretirement medical expense for the plan for the years ended June 30, 2020 and 2019 were \$4,237,000 and \$3,183,000, respectively.

The following presents the sensitivity of the postretirement medical plan liability to changes in the discount rate and healthcare cost trend rates (*\$ in thousands*):

OPEB Liability as of December 31, 2020	Sensitivity to change in discount rate			Sensitivity to change in health care costs		
	1% increase	Current rate	1% decrease	1% increase	Current rate	1% decrease
OPEB Liability as of December 31, 2020	\$82,273	\$90,441	\$100,037	\$99,444	\$90,441	\$82,734
OPEB Liability as of December 31, 2019	\$76,074	\$82,744	\$ 90,470	\$90,895	\$82,744	\$75,736

USNH also accrued \$102,000 as of June 30, 2020 and 2019, for potential obligations related to postretirement care of certain USNH police personnel. The USNH Board of Trustees holds the authority to change these benefit plans at any time. Further information on the Additional Retirement Contribution, Operating Staff Retirement Plan, and Postretirement Medical Plan can be found in the Required Supplemental Information on page 49 of the publication.

## 8. Long-term debt

USNH long-term debt activity, exclusive of deferred losses or gains on refunding, for the years ended June 30, 2020 and 2019 is summarized below (*\$ in thousands*):

	2019			2020			Balance June 30, 2020	Current Portion
	Balance June 30, 2018	Additions & Other Changes	Retirements	Balance June 30, 2019	Additions & Other Changes	Retirements		
<b>NHHEFA bonds</b>								
Series 2005A	\$ 48,200	\$ –	\$ (1,950)	\$ 46,250	\$ –	\$ (1,850)	\$ 44,400	\$ 2,100
Series 2005B	68,955	–	(4,595)	64,360	–	(4,760)	59,600	4,905
Series 2011A	6,000	–	–	6,000	–	–	6,000	–
Series 2011B	32,275	–	(2,015)	30,260	–	(2,110)	28,150	2,210
Series 2012	9,520	–	(3,050)	6,470	–	(3,170)	3,300	3,300
Series 2014	15,705	–	(2,110)	13,595	–	(2,155)	11,440	2,200
Series 2015	113,260	–	(2,730)	110,530	–	(2,855)	107,675	2,990
Series 2016	52,215	–	(2,390)	49,825	–	(2,515)	47,310	2,640
Series 2017A	53,805	–	–	53,805	–	(1,760)	52,045	1,850
Series 2017B	49,020	–	(1,100)	47,920	–	(1,950)	45,970	1,990
Unamortized discounts/premiums, net	30,319	–	(1,915)	28,404	–	(1,938)	26,466	1,915
<b>Capital leases</b>	8,913	–	(1,113)	7,800	–	(1,163)	6,637	1,215
<b>Total bonds and leases</b>	<u>\$488,187</u>	<u>\$ –</u>	<u>\$(22,968)</u>	<u>\$465,219</u>	<u>\$ –</u>	<u>\$(26,226)</u>	<u>\$438,993</u>	<u>\$27,315</u>

### New Hampshire Health and Education Facilities Authority (NHHEFA) Bonds

NHHEFA is a public body corporate and an agency of the State of New Hampshire whose primary purpose is to assist New Hampshire not-for-profit educational and health care institutions in the construction and financing (or refinancing) of related facilities. NHHEFA achieves this purpose primarily through the issuance of bonds. Since 1989 all USNH bonds have been issued through NHHEFA. None of USNH's NHHEFA bonds provide for a lien or mortgage on any property. USNH is obligated under the terms of the NHHEFA bonds to make payments from revenues received from certain housing, dining, student union, recreational, and other related revenue generating facilities financed by the bonds. The state is not liable for the payment of principal or interest on the NHHEFA bonds, nor is the state directly, indirectly or contingently obligated to levy or pledge any form of taxation whatsoever or to make any appropriation for their payment. USNH Bond indentures have a provision that in an event of default resulting from a payment default by USNH the principal may be accelerated and become immediately due and payable, at par, with interest payable thereon to the accelerated payment date. USNH is in compliance with all covenants specified in the NHHEFA bond, as well as capital lease agreements, the most restrictive of which is maintenance of a debt-service coverage ratio, as defined, of at least 1.0 to 1.0.

USNH's bond portfolio at June 30, 2020 consisted of fixed rate and variable rate issues. The variable rate demand bonds (Series 2005A, 2005B, 2011B) are fully hedged via interest rate swap agreements (see Note 9 below), with all three issues supported by standby bond purchase agreements as of June 30, 2020 and 2019. The variable interest rates for the Series 2005A and 2005B Bonds at June 30, 2020 and 2019 were 0.13% and 1.95%, respectively. The 2011B Bonds variable interest rates at June 30, 2020 and 2019 were 0.14% and 1.97%, respectively.

Maturity dates and interest terms of outstanding debt issues are summarized below:

NHHEFA Bonds	Maturity Date	Interest Terms and Rates
Series 2005A	7/1/2035	Variable with daily pricing
Series 2005B	7/1/2033	Variable with daily pricing
Series 2011A	7/1/2021	Fixed at 3.5%
Series 2011B	7/1/2033	Variable with daily pricing
Series 2012	7/1/2020	Fixed at 1.7%
Series 2014	7/1/2024	Fixed at 2.1%
Series 2015	7/1/2045	Fixed at 3.8%
Series 2016	7/1/2046	Fixed at 2.7%
Series 2017A	7/1/2037	Fixed at 3.1%
Series 2017B	7/1/2037	Fixed at 3.4%

#### Capital leases

On April 30, 2004, USNH entered into a capital lease agreement in the amount of \$18,292,000 to finance a portion of the costs of equipment housed in UNH's utility cogeneration facility. The related lease payments are due quarterly through June 2025, including principal as well as interest at a fixed rate of 4.5%. The carrying value of the related assets was \$4,777,000 and \$5,641,000 as of June 30, 2020 and 2019, respectively.

#### State of NH general obligation bonds

The state, through acts of its legislature, provides funding for certain major plant facilities on USNH campuses. The state obtains its funds for these construction projects from general obligation bonds, which it issues from time to time. Debt service is funded by the general fund of the state, which is in the custody of the State

#### Other long-term obligations

In addition to the long-term debt presented above, postretirement medical benefits liability in Note 7 and employment benefits liabilities in Note 6, USNH had the following changes in other long-term obligations (*in thousands*):

	Balance June 30, 2018	2019		Balance June 30, 2019	2020		Balance June 30, 2020	Current Portion
		Additions & Other Changes	Retirements		Additions & Other Changes	Retirements		
Asset retirement and other obligations*	\$ 2,310	\$4,121	\$(331)	\$ 6,100	\$5,575	\$ (746)	\$10,929	\$283
Refundable government advances	16,679	834	—	17,513	(575)	(3,709)	13,229	—
<b>Total other long-term obligations</b>	<u>\$18,989</u>	<u>\$4,955</u>	<u>\$(331)</u>	<u>\$23,613</u>	<u>\$5,000</u>	<u>\$(4,455)</u>	<u>\$24,158</u>	<u>\$283</u>

\*The current portion of these obligations is reported under accounts payable and accrued expenses.

### 9. Derivative instruments – interest rate swaps

USNH uses hedging derivatives to artificially fix interest rates on variable rate bonds outstanding. The terms and fair market value of swap contracts in place as of June 30, 2020 and 2019 were as follows (*\$ in thousands*):

	Effective Date	Termination Date	Payable Fixed Swap Rate	Receivable Variable Swap Rate	Notional Amount at June 30,		Swap Fair Value at June 30,	
					2020	2019	2020	2019
Series 2005A swap	October 29, 2008	July 1, 2035	3.6%	67% LIBOR	\$ 44,400	\$ 46,250	\$ (12,003)	\$ (9,185)
Series 2005B swap	August 1, 2005	July 1, 2033	3.1%	63% LIBOR+0.29%	59,600	64,360	(9,688)	(7,263)
Series 2011B swap	July 1, 2011	July 1, 2033	4.5%	67% LIBOR	28,150	30,260	(7,571)	(6,528)
<b>Total</b>					<u>\$132,150</u>	<u>\$140,870</u>	<u>\$(29,262)</u>	<u>\$(22,976)</u>

Treasurer. The state is responsible for all repayments of these bonds in accordance with bond indentures. USNH facilities are not pledged as collateral for these bonds and creditors have no recourse to USNH. Accordingly, the state's debt obligation attributable to USNH's educational and general facilities is not reported as debt of USNH. As construction expenditures are incurred by USNH on state-funded educational and general facilities, amounts are billed to the state and recorded as State of New Hampshire capital appropriations.

#### Maturity of long-term debt obligations

USNH long-term debt obligations are scheduled to mature as follows using the associated fixed, estimated synthetic fixed, and expected variable rates in effect as of June 30, 2020 over the remaining terms of the individual issuances (*\$ in thousands*):

Fiscal Year	Principal	Interest	Total
2021	\$ 25,400	\$ 16,384	\$ 41,784
2022	28,760	15,320	44,080
2023	23,902	14,277	38,179
2024	24,598	13,350	37,948
2025	25,675	12,381	38,056
2026-2030	94,132	49,733	143,865
2031-2035	102,090	29,729	131,819
2036-2040	53,310	11,946	65,256
2041-2045	26,840	4,757	31,597
2046-2047	7,820	217	8,037
Plus: unamortized discounts/premiums, net	<u>26,466</u>	<u>—</u>	<u>26,466</u>
<b>Total</b>	<u>\$438,993</u>	<u>\$168,094</u>	<u>\$607,087</u>

Effective interest rates and other key terms of each derivative are described below:

	Counterparty's Most Recent Credit Rating	Variable Interest Rates Paid and Received				Inception-To-Date		
		Interest Rate Paid by USNH to Bondholders as of		Interest Rate Received by USNH from Swap Counterparties as of		Effective Interest Rate Through		All-in Synthetically Fixed Interest Rate
		6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	
Series 2005A swap	Aa2/AA-	0.1%	1.9%	0.1%	1.6%	4.1%	4.4%	4.1%
Series 2005B swap	A1/A+	0.1%	1.9%	0.4%	1.8%	3.3%	3.7%	3.6%
Series 2011B swap	A3/BBB+	0.1%	2.0%	0.1%	1.6%	5.0%	5.3%	5.0%

USNH utilizes interest rate swap agreements with counterparties to effectively convert its variable rate debt to fixed rates. The swaps' fair values and changes therein are recognized in USNH's financial statements. Differences between the fixed and variable rates in effect at each interest due date are settled net under each swap, increasing or decreasing interest expense. The fair value of the swap instruments is determined using option pricing models that consider interest rates and other market factors, the credit risks of the parties to the agreements, and the estimated benefit or cost to the USNH to cancel the agreements as of the reporting dates. Interest rate volatility, remaining outstanding principal, and time to maturity will affect the swaps' fair values at subsequent reporting dates. The values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment. Because the swap fair values are based predominantly on observable inputs corroborated by market data, they are classified in Level 2 of the GASB fair value hierarchy. USNH intends to hold all swap contracts to maturity.

These derivative instruments meet the criteria established by GASB Statement No. 53 for effective hedges as of June 30, 2020 and 2019 and, therefore, their accumulated changes in fair value are reflected as deferrals on the Statements of Net Position (see Note 10). The notional amount of each swap is tied to the outstanding balance of the related bonds throughout the life of the swap. Under the terms of each swap, USNH makes fixed rate interest payments to the counterparty and receives a variable rate payment from the counterparty. USNH makes variable rate payments to bondholders on the related bonds. None of the derivatives require collateralization by USNH at any level of negative fair market value.

#### Risk Disclosure

**Counterparty Risk** – This is the risk that the counterparty will fail to perform under the terms of the swap agreement. As of June 30, 2020, USNH was exposed to no counterparty credit risk relative to its swaps as all swap market values were negative. The swaps require collateralization of any positive fair value of the swap should the counterparty's credit rating fall below thresholds identified in the swap contracts. USNH mitigates counterparty risk by spreading the swap exposure among various counterparties, by monitoring bond ratings continuously, and by requiring collateralization in certain circumstances.

**Basis Risk** – This is the risk of a mismatch between the variable rate received from the swap counterparty and the variable rate paid by USNH to bondholders on the underlying variable rate debt. The effective rate on the debt will vary depending on the magnitude and duration of any basis risk shortfall or surplus. Based on current and historical experience, USNH's financial advisors expect payments received under the agreements to approximate the related bond payments over the life of the swaps. USNH manages basis risk by closely monitoring daily and monthly rates paid and received on each transaction, by diversifying bond remarketing agents, and by varying swap terms (e.g., 67% of LIBOR vs. 63% of LIBOR + 29 bps).

**Termination Risk** – This is the risk that the swaps could be terminated as a result of any of several events, which may include rating downgrades below specified levels for USNH or the swap counterparty; covenant violation; swap payment default or bankruptcy by either party; or default events under a bond resolution or trust indenture. Under the terms of each agreement, USNH has the option to terminate a swap at the fair market value at any time by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events. USNH manages termination risk by adhering to bond covenant requirements, employing strategic indicator targets to maintain financial strength, monitoring swap market values and counterparty credit ratings, and diversifying swap counterparties.

#### Swap Cash Flows

Actual interest payments on the swaps vary as market rates vary. The table below shows estimated annual future cash flows of the derivative instruments if interest rates remain unchanged from June 30, 2020 through the end of each swap contract (*\$ in thousands*):

Fiscal Year	Notional Bonds Amortization	Estimated Interest Received	Estimated Interest and Fees Paid	Estimated Swap Net Outflows
2021	\$ 9,215	\$ (301)	\$ 4,553	\$ 4,252
2022	9,385	(275)	4,206	3,931
2023	9,975	(249)	3,838	3,589
2024	10,170	(221)	3,462	3,241
2025	10,665	(193)	3,067	2,874
2026-2030	38,855	(685)	11,134	10,449
2031-2035	40,235	(176)	3,315	3,139
2036	3,650	–	–	–
<b>Total</b>	<b>\$132,150</b>	<b>\$(2,100)</b>	<b>\$33,575</b>	<b>\$31,475</b>



## 10. Deferred inflows and outflows of resources

The components of Deferred Inflows and Outflows of Resources as of June 30, 2020 and 2019 were as follows (\$ in thousands):

	2020	2019
<b>Deferred Outflows of Resources</b>		
Accumulated decrease in fair value of hedging derivatives	\$29,262	\$22,976
Accounting loss on debt refinancing	7,646	8,708
Changes of assumptions:		
Operating Staff Retirement Plan	250	471
Postretirement Medical Plan	6,613	–
Additional Retirement Contribution Program	69	18
Net difference between projected and actual earnings:		
Operating Staff Retirement Plan	168	60
Difference between expected and actual experience:		
Postretirement Medical Plan	733	–
Benefit payments subsequent to the measurement date:		
Postretirement Medical Plan	2,558	2,053
Additional Retirement Contribution Program	168	199
Asset retirement obligations	<u>1,308</u>	<u>1,492</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$48,775</u></b>	<b><u>\$35,977</u></b>
<b>Deferred Inflows of Resources</b>		
Accounting gain on debt refinancing	\$ 150	\$ 357
Annuities unconditional remainder interest	1,348	2,139
Changes of assumptions:		
Operating Staff Retirement Plan	12	58
Postretirement Medical Plan	7,231	8,271
Additional Retirement Contribution Program	31	4
Net difference between projected and actual earnings:		
Operating Staff Retirement Plan	44	–
Difference between expected and actual experience:		
Operating Staff Retirement Plan	145	6
Postretirement Medical Plan	1,031	1,191
Additional Retirement Contribution Program	<u>482</u>	<u>474</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$10,474</u></b>	<b><u>\$12,500</u></b>

The accumulated decrease in fair value of hedging derivatives is recorded to offset the value of USNH's interest-rate swap liabilities which qualify for treatment as an effective hedge based on historic interest flows. USNH does not currently expect to terminate any of the swap agreements. The accounting gain on debt refinancing relates to the Series 2012 and 2016 bond issuances while the accounting loss on debt refinancing relates to the Series 2005B, 2011B, 2015 and 2017A bond issuances. These costs will be amortized as a component of interest expense over the remaining terms of the new debt.

Amounts reported as deferred outflows of resources related to benefit payments subsequent to the measurement date will be recognized as a reduction of the respective benefit liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows and inflows of resources which are related to retirement programs will be recognized as a component of pension and OPEB expense over the next eight years as summarized below (\$ in thousands):

Fiscal Year	Operating Staff Retirement Plan	Additional Retirement Contribution Program	Post-retirement Medical Plan
2021	\$138	\$(183)	\$ (32)
2022	13	(183)	(32)
2023	29	(44)	(32)
2024	37	(34)	(32)
2025	–	–	(32)
2026	–	–	(32)
2027	–	–	(489)
2028	–	–	<u>(236)</u>
<b>Total</b>	<b><u>\$217</u></b>	<b><u>\$(444)</u></b>	<b><u>\$(917)</u></b>

## 11. Pass-through grants

USNH distributed \$160,788,000 and \$169,091,000 of student loans through the US Department of Education Federal Direct Lending program during 2020 and 2019, respectively. These distributions and related funding sources are not included as expenses and revenues, or cash disbursements and cash receipts, in the accompanying financial statements. The Statements of Net Position include receivables of \$182,000 and \$141,000 as of June 30, 2020 and 2019, respectively, for direct loans disbursed in excess of US Department of Education receipts.

## 12. Endowment return used for operations

The objective of the annual spending formula for endowment return used for operations is to provide sustainable continued future support for ongoing programs at current levels assuming moderate inflation. To the extent that endowment yield is insufficient in any one year to meet the required spending distribution, accumulated net gains are utilized to fund the distribution. For the USNH pool, the distribution rate is established annually by the USNH Board of Trustees. Starting in fiscal year 2019, the USNH pool calculated the distribution as a percentage of the average market value per unit for the previous twelve quarters with a rate of 5.1% and 4.7% as of December 31, 2018 and 2017, respectively. For the UNHF primary pool, the distribution rate was 5.3% for both 2020 and 2019 calculated as a percentage of the average market value per unit for the previous twelve quarters.

The components of endowment return used for operations for 2020 and 2019 are summarized below (\$ in thousands):

Components of Endowment Payout	2020	2019
Pooled endowment yield - campuses	\$ 3,916	\$ 7,412
Pooled endowment yield - affiliates	1,834	2,492
Trusts, life income and annuities yield, net of gains utilized	668	643
Gains utilized to fund distribution - pooled campuses	18,162	14,094
Gains utilized to fund distribution - pooled affiliates	<u>10,350</u>	<u>9,138</u>
<b>Endowment return used for operations</b>	<b><u>\$34,930</u></b>	<b><u>\$33,779</u></b>

### 13. Operating expenses by function

The following tables summarize USNH's operating expenses by functional classification for the past two years (\$ in thousands):

	Compensation	Supplies & Services	Utilities	Internal Allocations	Depreciation & Amortization	2020 Total
<b>Campuses – current funds</b>						
Instruction	\$201,484	\$ 17,701	\$ 8	\$ –	\$ –	\$ 219,193
Auxiliary services	53,565	33,022	213	57,241	–	144,041
Research and sponsored programs	76,197	33,290	59	–	–	109,546
Academic support	70,747	16,814	60	–	–	87,621
Student services	34,734	17,643	11	(97)	–	52,291
Institutional support	46,554	17,524	62	(18,484)	–	45,656
Operations and maintenance	24,279	29,912	17,603	(38,946)	–	32,848
Fundraising and communications	11,438	7,248	1	4,158	–	22,845
Public service	11,914	3,389	3	1	–	15,307
Subtotal – current funds	530,912	176,543	18,020	3,873	–	729,348
<b>Campuses - other funds</b>	129	12,547	39	–	69,015	81,730
<b>Affiliated entities</b>	6,959	1,471	–	(3,873)	–	4,557
<b>Total</b>	<u>\$538,000</u>	<u>\$190,561</u>	<u>\$18,059</u>	<u>\$ –</u>	<u>\$69,015</u>	<u>\$815,635</u>

	Compensation	Supplies & Services	Utilities	Internal Allocations	Depreciation & Amortization	2019 Total
<b>Campuses – current funds</b>						
Instruction	\$202,333	\$ 21,055	\$ 15	\$ –	\$ –	\$ 223,403
Auxiliary services	54,115	51,152	2,602	48,670	–	156,539
Research and sponsored programs	74,937	34,564	85	–	–	109,586
Academic support	68,821	18,791	37	–	–	87,649
Student services	33,363	15,131	12	(95)	–	48,411
Institutional support	48,336	18,761	79	(23,679)	–	43,497
Operations and maintenance	23,575	17,962	15,724	(25,181)	–	32,080
Fundraising and communications	11,562	6,826	–	2,872	–	21,260
Public service	11,240	3,125	–	–	–	14,365
Subtotal – current funds	528,282	187,367	18,554	2,587	–	736,790
<b>Campuses - other funds</b>	333	15,888	28	–	65,349	81,598
<b>Affiliated entities</b>	6,113	1,124	1	(2,587)	–	4,651
<b>Total</b>	<u>\$534,728</u>	<u>\$204,379</u>	<u>\$18,583</u>	<u>\$ –</u>	<u>\$65,349</u>	<u>\$823,039</u>

## 14. Net position

It is USNH's policy to use restricted funds before accessing unrestricted balances. The table below details USNH's net position as of June 30, 2020 and 2019 (*\$ in thousands*):

Components of Net Position	2020	2019
<b>Net investment in capital assets</b>	\$ 709,337	\$ 685,015
<b>Restricted financial resources</b>		
<b>Nonexpendable</b>		
Historic gift value of endowment - campuses	131,196	124,287
Historic gift value of endowment - affiliated entities	<u>165,157</u>	<u>157,414</u>
<b>Total restricted nonexpendable resources</b>	296,353	281,701
<b>Expendable</b>		
Held by campuses:		
Accumulated net gains on endowment	51,082	56,559
Fair value of restricted funds functioning as endowment	14,628	15,032
Gifts, grants and contracts	40,527	41,443
Life income and annuity funds	12	15
Loan funds	2,853	3,585
Held by affiliated entities:		
Accumulated net gains on endowment	36,991	43,192
Fair value of restricted funds functioning as endowment	45,913	44,054
Other	<u>8,661</u>	<u>9,457</u>
<b>Total restricted expendable resources</b>	200,667	213,337
<b>Unrestricted financial resources</b>		
Held by campuses:		
Educational and general reserves	(14,910)	6,521
Auxiliary enterprises	34,651	45,721
Internally designated reserves	45,478	20,879
Unrestricted loan funds	1,438	1,487
Unexpended plant funds	136,073	144,841
Fair value of unrestricted funds functioning as endowment	173,025	185,442
Other	650	779
Less: postretirement medical liability <sup>(1)</sup>	<u>(88,800)</u>	<u>(90,153)</u>
Held by affiliated entities:		
Fair value of unrestricted funds functioning as endowment	1,321	1,308
Other	<u>2,061</u>	<u>1,668</u>
<b>Total unrestricted financial resources</b>	<u>290,987</u>	<u>318,493</u>
<b>Total Net Position</b>	<u>\$1,497,344</u>	<u>\$1,498,546</u>

<sup>(1)</sup> As discussed in Note 7, the 2020 and 2019 postretirement medical liability is shown net of the related deferred inflows and outflows of resources. See Note 10 for additional information in this regard.

## 15. Commitments and contingencies

On March 13, 2020, the Governor of the State of New Hampshire declared a state of emergency related to the spread of COVID-19. The declaration remains in effect as of the date the financial statements were issued. COVID-19 impacted various parts of USNH's 2020 operations and financial results including, but not limited to, the temporary closing of most of its institutions' residential and dining halls and shifting to remote learning for its entire student body, costs for emergency preparedness, and reduced investment valuations. USNH expects to incur significant additional costs in testing, personal protective equipment, cleaning, and technology costs. While the significant business disruption is currently expected to be temporary there is considerable uncertainty about the long-term implications of this pandemic on higher education and the ultimate financial impact and duration cannot be estimated at this time.

USNH holds insurance for losses related to real property, as well as professional, environmental and general liability claims. Property coverage is limited to \$500 million in the aggregate with varying deductible levels. Liability coverage and deductible levels are based on management's assessments of the risks of related

losses. Settlements below the relevant deductible amounts are funded from unrestricted net position.

USNH makes expenditures in connection with restricted government grants and contracts, which are subject to final audit by government agencies. Management is of the opinion that the number of disallowances, if any, sustained through such audits would not materially affect the financial position, results of operations, or cash flows of USNH.

USNH is a defendant in various legal actions arising out of the normal course of its operations. Although the outcome of such actions cannot presently be determined, management is of the opinion that the eventual liability, if any, will not have a material effect on USNH's financial position, results of operations or cash flows.

## 16. Component units

Condensed information from the audited financial statements of the University of New Hampshire Foundation, Inc. (UNHF) is presented below (*\$ in millions*):

	2020	2019
<b>Condensed information from the Statements of Net Position as of June 30,</b>		
Endowment investments	\$240	\$241
Other assets	<u>11</u>	<u>14</u>
<b>Total Assets</b>	<u>251</u>	<u>255</u>
Annuities payable	3	3
Other liabilities and deferred inflows of resources	<u>2</u>	<u>5</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>5</u>	<u>8</u>
<b>Total Net Position</b>	<u>\$246</u>	<u>\$247</u>
	<b>2020</b>	<b>2019</b>
<b>Condensed information from the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30,</b>		
Gifts and other support	\$ 30	\$ 29
Investment income	<u>4</u>	<u>11</u>
<b>Total Revenues</b>	<u>34</u>	<u>40</u>
Distributions to UNH	26	23
Administrative and other expenses	<u>9</u>	<u>8</u>
<b>Total Expenses</b>	<u>35</u>	<u>31</u>
<b>(Decrease)/ Increase in Net Position</b>	<u>\$ (1)</u>	<u>\$ 9</u>
	<b>2020</b>	<b>2019</b>
<b>Condensed information from the Statements of Cash Flows for the years ended June 30,</b>		
Receipts from gifts and other sources	\$ 27	\$ 19
Payments to UNH and suppliers	<u>(36)</u>	<u>(29)</u>
<b>Net Cash Used in Operating Activities</b>	(9)	(10)
<b>Net Cash Provided By/(Used in) Investing Activities</b>	4	(1)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>3</u>	<u>12</u>
<b>Change in Cash and Equivalents</b>	<u>\$ (2)</u>	<u>\$ 1</u>

A copy of the complete financial statements for UNHF can be obtained on its website at <https://www.unh.edu/give/financial-reports> or by contacting the Advancement Finance and Administration Office at (603) 862-1584.

## 17. Subsequent events

Management has evaluated the impact of subsequent events through the date that the financial statements were available for issuance October 23, 2020, and concluded that no material events have occurred which would require recognition or disclosure.



# Required Supplemental Information

(Unaudited)

## Postretirement Medical Plan

Schedule of Changes in Total OPEB Liability and Related Ratios for the years ended June 30,  
(\$ in thousands):

	2020	2019	2018
Service costs	\$ 1,247	\$ 1,359	\$ 1,416
Interest	3,339	3,024	3,627
Benefit payments	(5,084)	(6,381)	(6,923)
Differences between expected and actual experience	849	–	(1,511)
Changes in benefit terms	(318)	–	–
Changes in assumptions <sup>(1)</sup>	<u>7,664</u>	<u>(4,968)</u>	<u>(4,857)</u>
<b>Net Change in Postretirement Medical Liability</b>	<b>7,697</b>	<b>(6,966)</b>	<b>(8,248)</b>
Total Postretirement Medical Plan Liability - beginning of year	<u>82,744</u>	<u>\$ 89,710</u>	<u>97,958</u>
<b>Total Postretirement Medical Plan Liability - end of year</b>	<b>\$ 90,441</b>	<b>\$ 82,744</b>	<b>\$ 89,710</b>
Current portion	<u>\$ 4,412</u>	<u>\$ 5,331</u>	<u>\$ 5,837</u>
Covered portion	<u>\$298,040</u>	<u>\$290,287</u>	<u>\$290,107</u>
<b>Total Liability as a Percentage of Covered Payroll</b>	<b>30.3%</b>	<b>28.5%</b>	<b>30.9%</b>

## Additional Retirement Contribution (ARC) Program

Schedule of Changes in Total Pension Liability and Related Ratios for the years ended June 30,  
(\$ in thousands):

	2020	2019	2018	2017
Service costs	\$ 37	\$ 31	\$ 41	\$ 103
Interest	91	66	88	118
Benefit payments <sup>(2)</sup>	(111)	(123)	(95)	(518)
Differences between expected and actual experience	(200)	–	(89)	(328)
Changes in assumptions	<u>70</u>	<u>(97)</u>	<u>26</u>	<u>(5)</u>
<b>Net Change in ARC Liability</b>	<b>(113)</b>	<b>(123)</b>	<b>(29)</b>	<b>(630)</b>
Total ARC liability at beginning of year	<u>2,171</u>	<u>2,294</u>	<u>2,323</u>	<u>2,953</u>
<b>Total ARC liability at end of year</b>	<b>\$ 2,058</b>	<b>\$ 2,171</b>	<b>\$ 2,294</b>	<b>\$ 2,323</b>
Current portion	<u>\$ 217</u>	<u>\$ 200</u>	<u>\$ 95</u>	<u>\$ 455</u>
Covered payroll	\$22,275	\$24,369	\$26,646	\$29,409
<b>Total Liability as a Percentage of Covered Payroll</b>	<b>9.2%</b>	<b>8.9%</b>	<b>8.6%</b>	<b>7.9%</b>

## Operating Staff Retirement Plan

Schedule of Changes in Net Pension Assets and Related Ratios for the years ended June 30,  
(\$ in thousands):

	2020	2019	2018	2017 <sup>(3)</sup>
<b>Plan Fiduciary Net Position</b>				
<b>Beginning balance</b>	\$6,186	\$6,376	\$6,700	\$ –
Employer contributions	–	–	–	6,700
Plan administrative costs	–	(13)	(13)	–
Net investment income	173	407	274	–
Benefit payments	<u>(496)</u>	<u>(584)</u>	<u>(585)</u>	<u>–</u>
Fiduciary net position	\$5,863	\$6,186	\$6,376	\$6,700
<b>Total Pension Liability at end of year</b>	<b>(5,431)</b>	<b>(5,875)</b>	<b>(5,652)</b>	<b>(5,707)</b>
<b>Net Pension Asset</b>	<b>\$ 432</b>	<b>\$ 311</b>	<b>\$ 724</b>	<b>\$ 993</b>
Plan Net Position as a Percentage of Total Pension Liability	108.0%	105.3%	112.8%	117.4%

	2020	2019	2018	2017 <sup>(3)</sup>
<b>Plan Pension Liability</b>				
<b>Beginning balance</b>	\$(5,875)	\$(5,652)	\$(5,707)	\$(6,345)
Service costs	(7)	(3)	–	(20)
Interest, net of actuarial gain/loss	(65)	(290)	(292)	(298)
Benefit payments	496	584	585	956
Changes in assumptions	<u>20</u>	<u>(514)</u>	<u>(238)</u>	<u>–</u>
<b>Net Change in Total Pension Liability</b>	<b>\$ 444</b>	<b>\$ (223)</b>	<b>\$ 55</b>	<b>\$ 638</b>
<b>Total Pension Liability at end of year</b>	<b>(5,431)</b>	<b>(5,875)</b>	<b>(5,652)</b>	<b>(5,707)</b>
Covered payroll	<u>\$ (815)</u>	<u>\$ (850)</u>	<u>\$ (961)</u>	<u>\$1,007</u>
Net Pension Asset as a Percentage of Covered Payroll	53.0%	36.6%	75.3%	98.6%

### Notes to Schedules:

<sup>(1)</sup> Changes in assumptions relate to discount rate changes. The rates were 2.7% for FY20, 4.1% for 2019, and 3.4% for 2018 based on a change in the related index. See Note 7 for additional information.

<sup>(2)</sup> Fiscal year 2017 benefit payments included separation costs in larger amounts.

<sup>(3)</sup> Reflects payments and adjustments made before the establishment of the related trust on June 29, 2017.

See accompanying independent auditor's report.



# University System of New Hampshire

The University System of New Hampshire (USNH) includes the University of New Hampshire (UNH), with campuses in Durham, Manchester and Concord, Plymouth State University (PSU), Keene State College (KSC) and Granite State College (GSC). KSC, PSU and UNH Durham are the three residential campuses of USNH. The system enrolls 32,000 students and is committed to providing access to affordable, high-quality education and to creating a talented workforce to serve the state's businesses and communities. A 29-member board of trustees is responsible for overseeing the system. The Chancellor is the chief executive and academic officer of USNH and is responsible for developing, recommending and implementing the board's policies and decisions.

## University System of New Hampshire

- |   |  |
|---|--|
| 1. University of New Hampshire, Durham        | 6. Granite State College, Concord              |
| 2. University of New Hampshire, Manchester    | 7. Granite State College, Lebanon (Colocation) |
| 3. UNH Franklin Pierce School of Law, Concord | 8. Granite State College, Manchester           |
| 4. Plymouth State University                  | 9. Granite State College, Nashua (Colocation)  |
| 5. Keene State College                        |  |



## Board of Trustees

### Members of the Board

**The Honorable Christopher T. Sununu**  
ex officio, Governor, State of New Hampshire,  
Concord, NH

**Joseph G. Morone** (2013 -2022)  
Chair, Newcastle, NH

**James P. Burnett, III** (2017 -2022)  
Vice Chair, Concord, NH

**Kassandra Spanos Ardinger** (2016 -2024)  
Secretary, Concord, NH

**Amy B. Begg** (2015 -2023)  
Watertown, MA

**Donald L. Birx**, ex officio  
President, PSU, Plymouth, NH

**Todd R. Black** (2014 -2022)  
Dover, NH

**James W. Dean, Jr.**, ex officio  
President, UNH, Durham, NH

**M. Jacqueline Eastwood** (2017 -2021)  
Durham, NH

**Frank L. Edelblut**, ex officio  
Commissioner of Education, Concord, NH

**Cathy J. Green** (2017 -2021)  
Dunbarton, NH

**George S. Hansel** (2019 -2023)  
Keene, NH

**Shawn N. Jasper**, ex officio (2015 -2022)  
Commissioner of Agriculture, Concord, NH

**Todd J. Leach**, ex officio  
Chancellor, USNH, Concord, NH

**Tyler Minnich** (2020-2021)  
GSC Student Trustee, Concord, NH

**Michael J. Pilot** (2019 -2023)  
Hampton, NH

**Christopher M. Pope** (2019 -2021)  
Concord, NH

**Mark Rubinstein**, ex officio  
President, GSC, Concord, NH

**J. Morgan Rutman** (2016 -2020)  
Rye, NH

**Michael Shannon** (2020-2021)  
PSU Student Trustee, Plymouth, NH

**Marjorie K. Smith**, ex-officio  
Designee for Speaker of the House

**Donna M. Soucy**, ex-officio  
President of the Senate

**Wallace R. Stevens** (2011 -2021)  
Exeter, NH

**Gregg Tewksbury** (2020-2023)  
Keene, NH

**Melinda D. Treadwell**, ex officio  
President, KSC, Keene, NH

**Alexander J. Walker, Jr.** (2016 -2024)  
Manchester, NH

**David A. Westover** (2019 -2023)  
Keene, NH

## Administration

### Members of the Administrative Board

**Todd J. Leach** (Chair)  
Chancellor, University System of New Hampshire

**Donald L. Birx**  
President, Plymouth State University

**James W. Dean, Jr.**  
President, University of New Hampshire

**Mark Rubinstein**  
President, Granite State College

**Melinda D. Treadwell**  
President, Keene State College

### Members of the Finance Executive Council

**Catherine A. Provencher** (Chair)  
Vice Chancellor and Treasurer, USNH

**Lisa L. Shawney** (Vice Chair)  
Vice President for Finance and  
Administration, GSC

**Karen L. Benincasa**  
Associate Treasurer, USNH

**Jay Calhoun**  
Interim Chief Financial Officer, UNH

**Tracy Claybaugh**  
Vice President for Finance  
and Administration, PSU

**Susan LaPanne**  
Vice President for Finance  
and Administration, KSC

### University System of New Hampshire

**James A. McGrail**  
Chief Human Resources Officer

**Catherine A. Provencher**  
Vice Chancellor and Treasurer/CFO

**Ronald F. Rodgers**  
General Counsel and Secretary

## Other Officers

### University of New Hampshire

**Christopher Clement**  
Chief Operating Officer and Vice President  
for Administration

**Deborah Dutton**  
Foundation President and Vice President  
for Advancement

**Pelema Ellis**  
Vice Provost for Enrollment Management

### Plymouth State University

**Tracy Claybaugh**  
Vice President for Finance and Administration

**Marlin Collingwood**  
Vice President Communications, Enrollment  
& Student Life

**Carolyn Ines**  
Director of Human Resources

**Ann McClellan**  
Interim Provost and Vice President for  
Academic Affairs

**John Scheinman**  
Director of Development

### Keene State College

**Ockle Johnson**  
Interim Provost and Vice President  
for Academic Affairs

**Susan LaPanne**  
Vice President for Finance  
and Administration

**MB Lufkin**  
Interim Vice President for Enrollment and  
Student Engagement

**Dottie Morris**  
Chief Officer for Diversity  
and Multiculturalism

**Veronica Rosa**  
Vice President for Advancement and  
Constituent Relations

### Granite State College

**Tara Payne**  
Vice President for  
Enrollment Management

**Lisa L. Shawney**  
Vice President for Finance  
and Administration

**Scott Stanley**  
Provost and Vice President  
for Academic Affairs



Granite State College



University System  
of New Hampshire





# University System of New Hampshire

## 2020 Audit Results

October 22, 2020

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

# Agenda

Engagement  
Scope

Responsibilities  
Overview

Audit Focus  
Areas

Audit Results

Emerging  
Issues



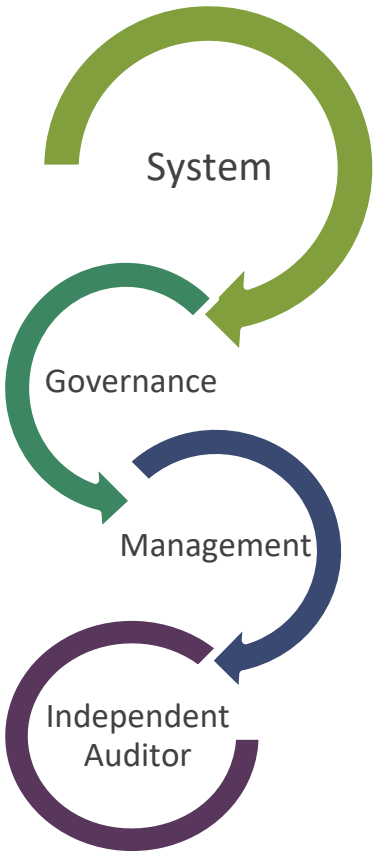
# Engagement Scope

- CLA (CliftonLarsonAllen LLP) was engaged to perform the following audit services and provide the following reports:
  - An audit of the financial statements of the University System of New Hampshire (the System) in accordance with generally accepted auditing standards (GAAS) and generally accepted government auditing standards (GAGAS) as of and for the year ending June 30, 2020
    - ◇ Required supplementary information
    - ◇ Required governance communications letter
    - ◇ Internal control communication letter
    - ◇ Management letter, if necessary
  - An audit of the System's major federal award programs under the Uniform Grant Guidance (Single Audit)
    - ◇ Delayed due to the Compliance Supplement surrounding CARES Act Funding (expected in the coming month)
    - ◇ Testing of Student Financial Aid at each campus in-process
    - ◇ CLA will perform Major Program Determination and Risk Assessment to identify other major programs for testing





# Responsibility Overview



## Governance

Strategic Direction

Policy related to external and internal audits

Accountability, including financial reporting

Oversight of the audit process

## Management

Internal Controls

Accounting Policies

Management Decisions

Fair Presentation of Financial Statements

Programs to Prevent and Detect Fraud

## Independent Auditor

Opinion on Fair Presentation of Financial Statements

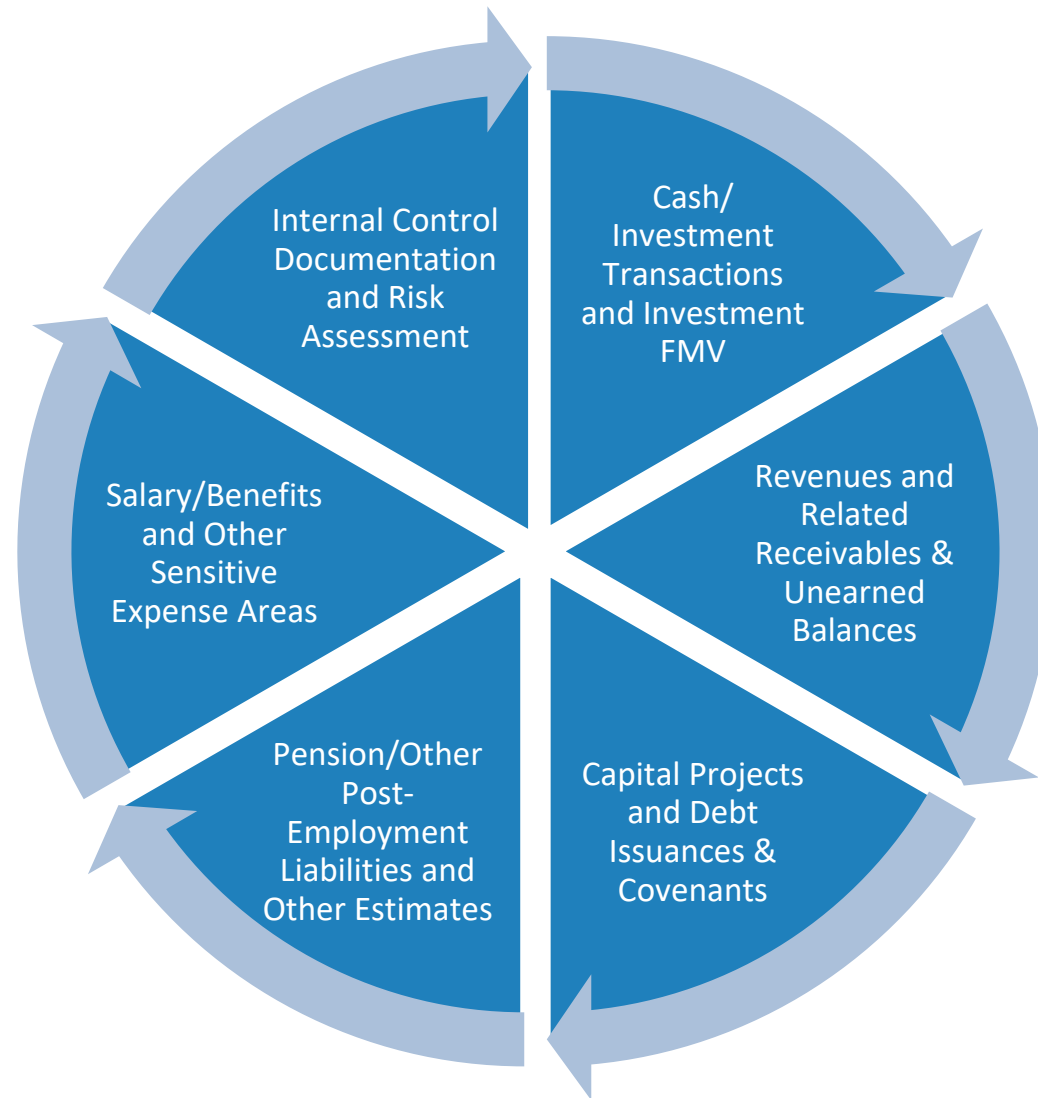
Audit in Accordance with GAAS and GAGAS

Communication of significant matters

Understanding of Internal Controls; no opinion on effectiveness

Risk Based Audit Approach

# Audit Focus Areas



# Audit Results – Financial Statements

## Independent Auditors' Report

- Includes unmodified opinion for the System's financial statements for the year ended June 30, 2020

## Report on Internal Controls over Financial Reporting, Compliance and Other Matters

- No material weakness in internal control noted
- No other deficiencies in internal control noted
- No non-compliance with laws and regulations noted
- Best Practice Recommendations (Management Letter)





# Audit Results – Governance Communication

## Auditors' Responsibility

- Audit performed in accordance with Generally Accepted Auditing Standards and Generally Accepted Government Accounting Standards

## Accounting Policies and Other Matters

- Management's significant accounting policies are described in Note 1
- Outstanding commitment and contingencies described in Note 15
- Disclosure around the COVID-19 pandemic described in Note 15



# Audit Results – Governance Communication (Cont.)

- Significant Estimates
  - We concluded that management has a reasonable basis for significant judgements and estimates
    - ◇ Net Pension Asset & Net OPEB Liability
    - ◇ Compensated Absences and Other Accrued Employee Benefits
    - ◇ Depreciation Expense and Useful Lives of Capital Assets
    - ◇ Fair Value of Investments
    - ◇ Accounts, Notes & Pledges Receivable – Allowance for Doubtful Accounts
    - ◇ Pledges Receivable – PV Discount of Pledges Outstanding
    - ◇ Incurred But Not Recorded (IBNR) Claims Liability
    - ◇ Scholarship Allowance
- Corrected and Uncorrected Misstatements
  - No corrected misstatements noted
  - One uncorrected misstatement – OSRP Pension Investments
- Disagreements with management on accounting/auditing matters
  - None
- Consultations with other independent accountants
  - None



# Audit Results – Internal Controls and Compliance

## Internal Controls

- We consider internal controls for the purpose of determining the nature, timing and extent of audit procedures
- We gain an understanding through:
  - Inquiries of management and other System as well as individual campus personnel
  - Walkthroughs of significant processes/cycles
- No *material weaknesses* or *significant deficiencies* identified
- We do not express an opinion on the effectiveness of the System's internal controls because it is not required under GAAS

## Compliance

- No compliance findings to report





# Emerging Issues

## Government Accounting Standards Update

- GASB 95 postponed effective dates of certain standards by one year

- Statement No. 84, *Fiduciary Activities* – Effective year-end 6/30/21
- Statement No. 87, *Leases (postponed 18 months)* – Effective year-end June 30, 2022
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – Effective year-end 6/30/20
- Statement No. 90, *Majority Equity Interests* – Effective year-end 6/30/21
- Statement No. 91, *Conduit Debt Obligations* - Effective year-end June 30, 2023
- Statement No. 93, *Replacement of Interbank Offered Rates* - Effective year-end June 30, 2022
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – Effective year-end June 30, 2023
- Statement No. 96, *Subscription-Based Information Technology Arrangements* – Effective year-end June 30, 2023







# Create Opportunities

CLA exists to  
create opportunities —  
for our clients, our people,  
and our communities.





**Andy Lee**

Engagement Principal

(267) 419-1122

[Andrew.Lee@CLAConnect.com](mailto:Andrew.Lee@CLAConnect.com)

**Luke Winter**

Manager

(484) 567-1741

[Luke.Winter@CLAConnect.com](mailto:Luke.Winter@CLAConnect.com)

