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UNIVERSITY SYSTEM OF NEW HAMPSHIRE | 2022 ANNUAL FINANCIAL REPORT



University System
of New Hampshire





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USNH Board



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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 years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University System of New Hampshire as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note (1) to the financial statements, the System implemented the provisions of Governmental Accounting Standards Board (GASB) Statements No. 87 – for the year ended June 30, 2022, which represent changes in accounting principle. As a result of the implementation of this standard, the System reported a restatement for the change in accounting principle (see Note 1). Our opinion is not modified with respect to this matter.

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The Board of Trustees
University System of New Hampshire

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

The Board of Trustees
University System of New Hampshire

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

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises of other information but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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



CliftonLarsonAllen LLP

Quincy, Massachusetts
October 20, 2022

Management's Discussion and Analysis

June 30, 2022 and 2021 (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, 2022 and 2021. 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). In July 2021, building on the complementary missions of GSC and the University of New Hampshire Manchester (UNH Manchester), the USNH board of trustees voted to establish a single, merged college located in the Manchester- Concord corridor. NH Chapter 35, Laws of 2022 codified the merger in State law. The merged entity will become a college within UNH. A second key initiative of the integration combines GSC and UNH online learning enterprises to strengthen, promote and expand online education for all USNH institutions. This integration will continue in FY23 and beyond.

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), GSC and the UNH Cooperative Extension and Small Business Development Centers located throughout the State. 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 pandemic exacerbated the already changing and challenging higher education environment. The impact of the pandemic was layered onto existing pre-pandemic trends such as declining demographics in both New Hampshire and New England, increases in student financial need, etc. The combination of the more recent return to pre-pandemic operating activity in fiscal year 2022, COVID-related federal support, and USNH's restructuring programs initiated in fiscal year 2020 all contributed to USNH realizing an operating margin of \$31 million for fiscal year 2022. The restructuring programs included an early retirement/separation program for approximately 480 employees, employee benefits restructuring initiatives, system-wide shared service initiatives as well as campus-specific initiatives.

USNH and the higher education industry will continue to face economic challenges in the future as the pre-pandemic trends are expected to continue in future years which most recently are also coupled with rising inflation, labor shortages, and volatile investment markets. USNH continues to focus on providing high-quality programs, safe campuses for our communities and those we serve, and strategic planning activities to prepare for the future changes anticipated over the next decade. The remainder of this report describes the results of financial operations for the year ended June 30, 2022, with comparisons to prior years.

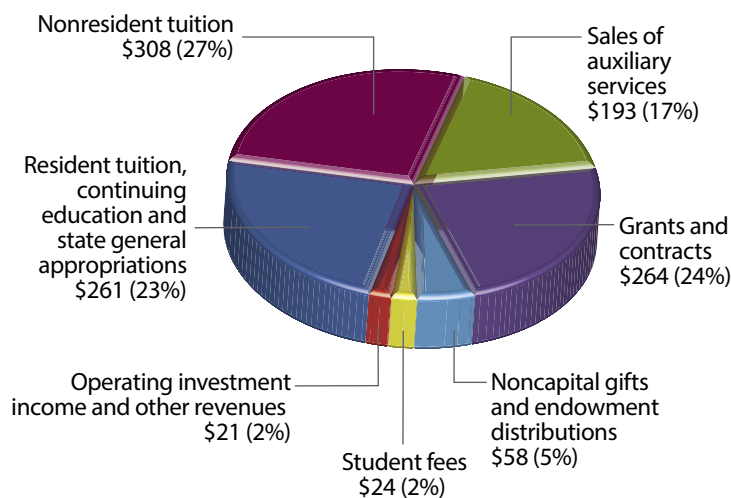
III. Financial Highlights

A. Revenues

Chart 1 below shows USNH's revenue streams, including those classified as non-operating revenues per GASB standards, totaling over \$1 billion for FY22 which is also consistent with the last five fiscal years. Given our tri-fold mission of instruction, research, and public service, the vast majority of USNH revenues are generated by providing educational and auxiliary services. Total gross revenues increased \$54 million (5.0%) in fiscal year 2022. The largest increases were related to an increase in grant and contracts revenue by 33.5% (\$48 million), and an increase in sales of auxiliary services revenue by 19% (\$31 million), due to the return to normal operation of residential campuses, offset by a decrease in operating investment income and other revenue of 3.3%. USNH received \$52.2 million in institutional HEERF awards, of which \$1.8 million were unearned as of June 30, 2022, and expected to be realized during fiscal year 2023. Additionally, the State of NH Governor's Office for Emergency Relief and Recovery (GOFERR) provided \$33 million in federal CARES Act aid to mitigate costs related to the COVID-19 pandemic since fiscal year 2020 and most of which was recognized prior to fiscal year 2022.

Chart 1: 2022 Gross Revenues by Source
Total = \$1+ Billion

(\$ in millions)

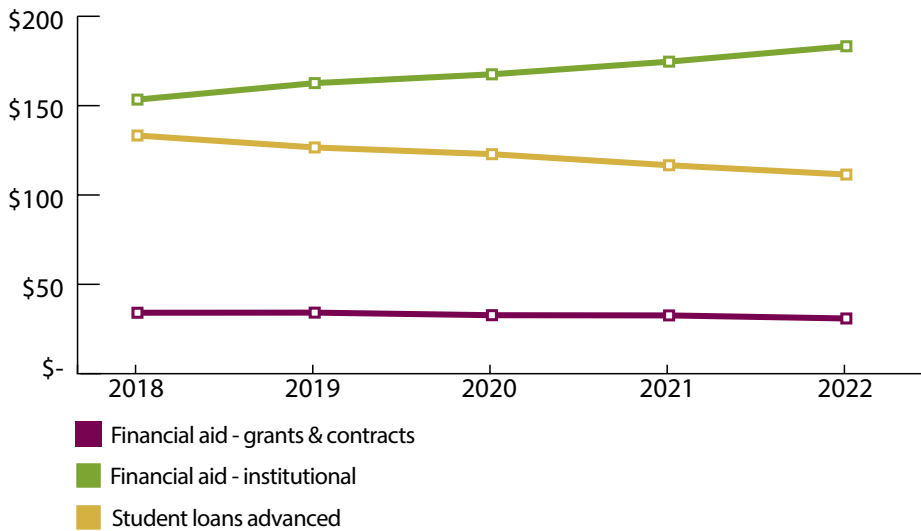


As shown in Chart 2 below, institutional financial aid expenditures continue to surpass aid provided by grants and student loans issued. USNH has provided over \$1.8 billion in direct institutional financial aid to students over the past ten years. Additionally, approximately \$328 million (19%) of the student aid total was from grants and contracts. Over \$1 billion (74%) came from campuses' general funds, and the remaining 7% (\$132 million) was provided by gifts and athletics programs. USNH continues to focus on affordability of its offerings which includes limiting student and family loan debt. Also, for fiscal year 2022, students received \$25 million in direct federal aid for COVID-19 pandemic relief.

UNH continues to work on four strategic pillars to drive UNH to become one of the top 25 public universities in the US. The pillars include enhancing student success and well-being, expanding excellence, embracing New Hampshire, and building financial strength. As evidenced by the financial aid growth shown in Chart 2, USNH is committed to ensuring that New Hampshire's students have access to quality education at an affordable price.

Chart 2: Student Aid Trends

(\$ in millions)



As seen in Table 1 below, full-time equivalent (FTE) student enrollment has steadily declined 10.7% since fiscal year 2018 for all institutions combined mainly due to New England demographics and overall market changes. UNH's Durham campus, despite the pandemic, had an increase in freshmen applications in the most recent year as shown in Table 2.

The USNH Board of Trustees approved a tuition freeze for undergraduate resident tuition in fiscal year 2021 and 2022 holding rates flat at the fiscal year 2020 level for NH students. Total nonresident tuition revenues increased 1.6% (\$4.9 million) over the prior year. For the past five years, at least 50% 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 and New England 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 consistent for the past several years, institutional financial aid grew 4.5% (\$8 million) in fiscal year 2022 after a 4.2% (\$7.1 million) increase in fiscal year 2021. USNH has also made significant changes in the way it awards financial aid. The Granite Guarantee program, which covers the cost of tuition for all federal Pell-grant eligible New Hampshire students, is now in its fifth year. 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. New Hampshire's school population data by age grouping suggests that our enrollment challenges will increase in future years. USNH continues to focus on multi-year planning to address the demographic and market changes ahead.

Table 1: Full-Time Equivalent Credit Enrollment

For the Fall of Each Fiscal Year

	2018	2019	2020	2021	2022
UNH (all campuses)	15,669	15,629	15,141	14,750	14,514
PSU	4,694	4,772	4,409	4,260	4,086
KSC	3,758	3,487	3,434	3,111	3,003
GSC	1,446	1,468	1,444	1,452	1,221
Total USNH FTEs	25,567	25,356	24,428	23,573	22,824
NH Resident	12,940	12,842	12,413	12,067	11,469
Nonresident	12,627	12,514	12,015	11,506	11,355
Total USNH FTEs	25,567	25,356	24,428	23,573	22,824

Table 2: Freshmen Applications, Acceptances and Enrollees at UNH Durham*

For the Fall of Each Fiscal Year

	2018	2019	2020	2021	2022
Freshmen applications received	18,397	18,474	18,040	18,797	20,150
Acceptances as % of applications	83%	84%	84%	85%	87%
Enrolled as % of acceptances	20%	20%	18%	16%	16%

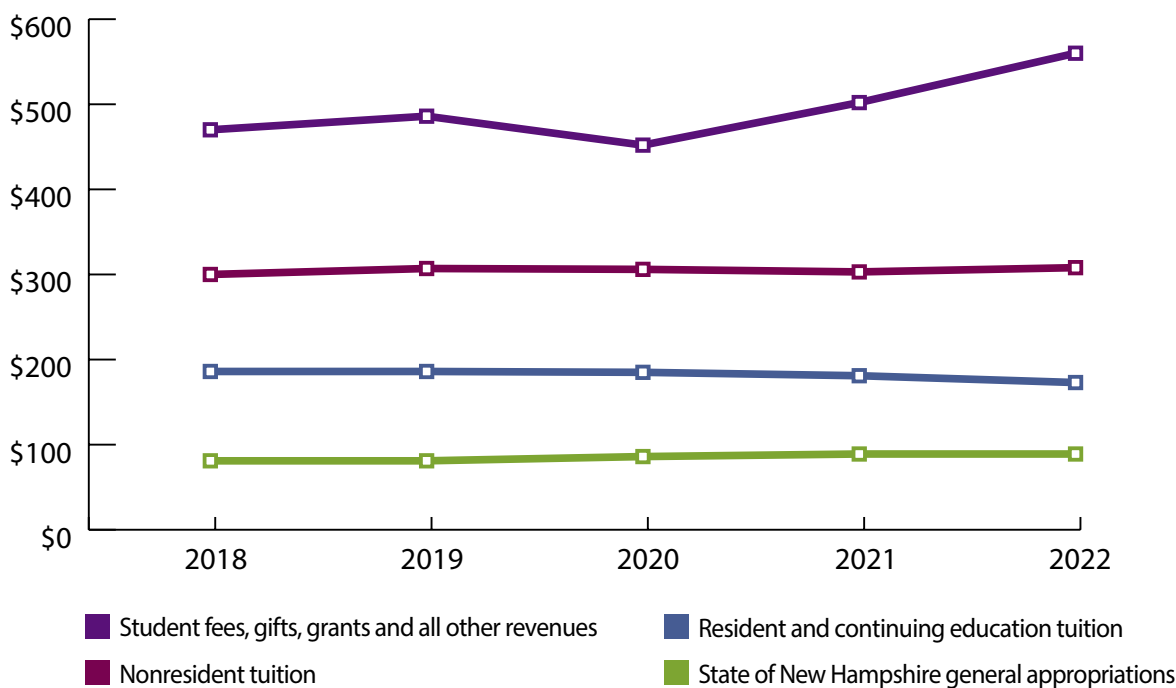
* Comparable data for other campuses is available upon request.

Chart 3 below shows USNH's major revenue stream trends for the past five years. As seen in the graph, USNH held resident tuition rates flat from fiscal years 2020 through 2022 while undergraduate enrollment declined. Inflationary increases in the resident tuition rates were added for fiscal years 2018 through 2020. During fiscal year 2022, auxiliary revenue increased by \$30.9 million (19%) compared to fiscal year 2021. The fiscal year 2022 increase was primarily due to the return to normal operations at residential campuses subsequent to the pandemic. Auxiliary revenue was still \$21.2 million (9.9%) lower than fiscal year 2019 before the pandemic, partially deemed to be attributed to the lingering effects of the pandemic on residential campuses. For fiscal year 2022 and 2021, USNH revenue included one-time federal and State grant revenue of \$49 million and \$60 million respectively. Part of this revenue were student refund recoveries of \$4 million and \$39 million for fiscal year 2022 and 2021 respectively.

Chart 3: Five 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 \$29.8 million or 3.3% over the fiscal year 2021 level after fiscal year 2021 expenses had increased by \$80.3 million or 10% over fiscal year 2020 primarily as a result of COVID-related expenses. The largest reduction over prior year was in nongrant compensation costs (\$72 million, 14.2%), primarily as a result of approximately 484 employees participating in COVID-related voluntary retirement and separation incentive programs approved by the USNH Board of Trustees on June 11, 2020 for a total one time cost of \$56 million recognized in fiscal year 2021. Employee compensation savings realized in fiscal year 2022 were significantly generated as a result of the voluntary separation programs, restructuring initiatives as well as temporary savings associated with COVID. The supplies and services expense increase of \$39.7 million (17.3%) was mainly driven by \$27 million increase in direct grant activity and additionally as a result of inflationary cost increases.

During fiscal year 2022, restructuring efforts that included multiple shared service centers for the System in the areas of procurement, information technology, financial services, human resources, research administration and other back-office and administrative services continued. The primary goals of the restructuring efforts include improved service, cost savings, increased efficiencies, reduced risk and improvements, and refinements to shared services activities will continue into the future. As part of the financial restructuring, USNH established a new Financial Operation Center (FOC) that serves all campuses in the areas of accounts payable (external vendors and employee travel reimbursement), payroll, non-student accounts receivable and general accounting and financial reporting.

Chart 4: Expenses by Functional Classifications

(\$ in millions)

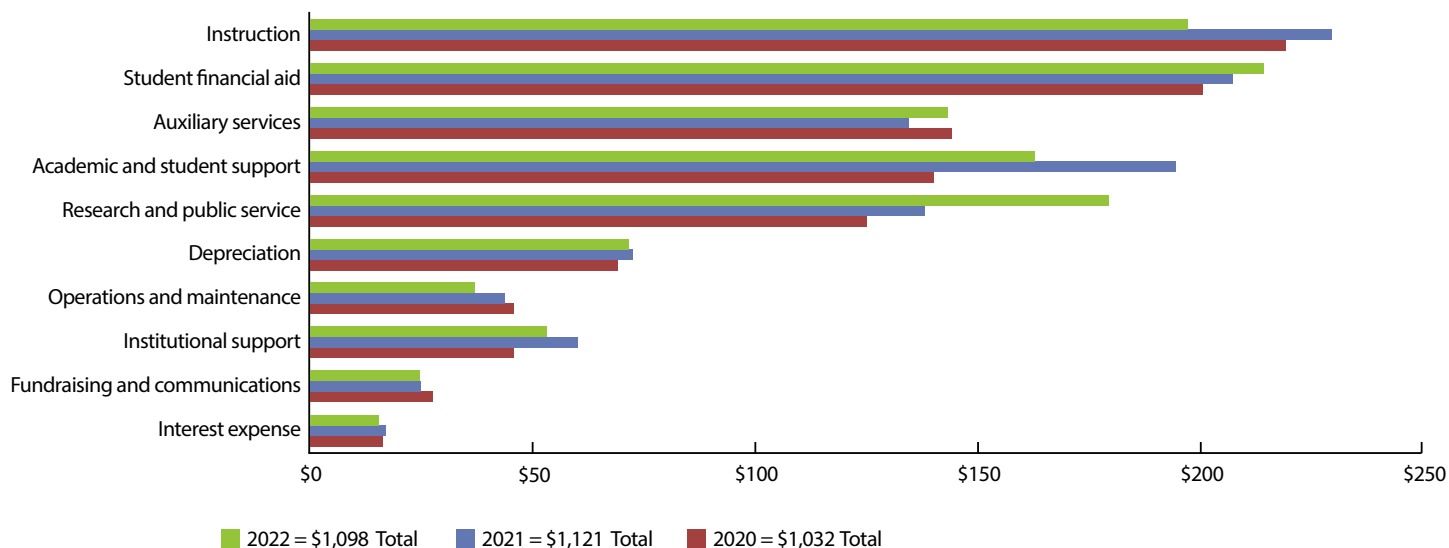


Chart 4 displays USNH's expenses for the past three fiscal years by functional rather than natural classification. The decrease in instruction expenses was primarily the result of the voluntary separation programs undertaken in fiscal year 2021. Fiscal year 2021 had significant one-time costs associated with the separation programs while fiscal year 2022 had savings as a result of the separation programs. Student financial aid continued to increase as noted above. Auxiliary services expenses increased \$9 million over the prior year as a result of the return to normal operations in athletics and dining and residential activity. Research costs increased due to an increase in grant activity, primarily at the UNH campus, including \$23 million for the National Aeronautics and Space Administration and \$14 million in State grants. The fiscal year 2021 reflects the costs related to COVID-19 mitigation strategies and the voluntary separation incentive programs in all functional classifications. (Additional detail on operating expenses by function can be found in Note 14 to the Financial Statements.)

C. Capital spending

The campuses had several major capital projects under construction in fiscal year 2022. Major projects included the Biological Sciences Project (\$18M), Central Heat Plant Line Replacement Project (\$4M), and Health Sciences Initiative Project (\$3M), all at UNH.

During the past ten years, operating and internal funds totaling \$130 million were used to supplement the lower amount of state appropriations as compared to what had been received in the prior decade. Effective July 1, 2020, the State of New Hampshire appropriated \$42 million in capital funds for the Biological Sciences Spaulding Hall at UNH, and KSC's Elliot Student Service Success Center to be spent through June 30, 2025. As a result of the State allocating \$9 million toward the health sciences initiative to increase enrollments in nursing and other fields, in late 2021, UNH opened the new Health Simulation Center on the Durham campus. However, due to limited resources, there are still many buildings in need of improvement at each campus. USNH campuses continue to strategically prioritize the available limited funding for capital assets, focusing on life/safety projects as priorities and most critical needs.

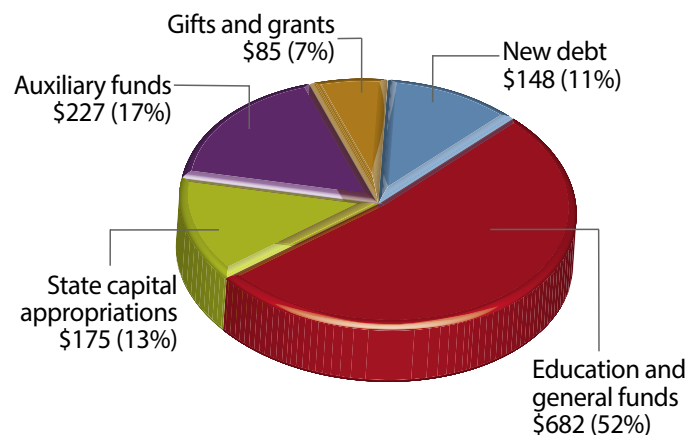
USNH is only authorized to issue debt for self-supporting, auxiliary projects. The related debt service is then funded by student fees for each type of auxiliary service (housing, dining, or recreation). No new debt has been issued since 2017.

Chart 5 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. General funds of \$682 million were the largest sources of funding of capital projects followed by auxiliary funds of \$227 million and then State appropriations of \$175 million. Depreciation and amortization expenses of \$635 million were recorded during the same period which includes lease amortization totaling \$7 million starting in fiscal year 2021. (See Notes 5 and 8 to the Financial Statements for additional information on property and equipment, and debt balances.)

Chart 5: Capital Funding Sources, 2008-2022

Total \$1.3 Billion

(\$ in millions)



D. Investing Activities

Cash and short-term investment balances totaled approximately \$255 million and \$216 million on June 30, 2022 and June 30, 2021, respectively. (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,		
	2022	2021	2020
USNH Pool	\$557	\$ 663	\$534
UNHF Pool	266	297	236
KEA Pool	17	17	14
Funds held in trust	17	19	15
Life Income/Annuity Funds	<u>5</u>	<u>5</u>	<u>4</u>
	<u>\$862</u>	<u>\$1,001</u>	<u>\$803</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 5.5% and the USNH and UNHF pools averaged 7.7% and 7.1%, respectively, before distributions. All three pools' returns were impacted by the financial market declines in 2022.

Distributions from the endowment and trust funds totaled approximately \$41 million in fiscal year 2022. This compares to \$38 million for fiscal year 2021. The difference is primarily due to favorable market value increases on average. Distributions of approximately \$26 million were made from the USNH pool and trusts, along with \$14 million from the UNHF pool and \$619,000 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. Fiscal year 2022 market losses have resulted in a limited number of endowment funds having market values less than the original gift value ("underwater" funds). The net negative returns for 2022 resulted in an increase in these underwater funds. Of the 1,621 endowment funds maintained in the various endowment pools, 125 remained underwater at June 30, 2022. This compares to only 3 underwater endowment funds at June 30, 2021. The endowment funds were underwater by \$2.8 million at June 30, 2022, compared to \$397,000 at June 30, 2021. (See Notes 4 and 13 for further information on endowment and similar investments.)

Table 4: Pooled Endowment Returns

	Year - Ended June 30,			Three Year Average
	2022	2021	2020	
USNH Pool				
Gross return	(6.2%)	29.3%	1.9%	8.3%
<i>Investment management fees</i>	<u>(0.7%)</u>	<u>(0.6%)</u>	<u>(0.5%)</u>	<u>(0.6%)</u>
Net return	(6.9%)	28.7%	1.4%	7.7%
<i>Distributions</i>	<u>(3.8%)</u>	<u>(4.5%)</u>	<u>(4.2%)</u>	<u>(4.2%)</u>
Net reinvested	<u>(10.7%)</u>	<u>24.2%</u>	<u>(2.8%)</u>	<u>3.5%</u>
UNHF Pool				
Gross return	(8.3%)	30.5%	2.5%	8.2%
<i>Investment management fees</i>	<u>(1.0%)</u>	<u>(1.5%)</u>	<u>(0.8%)</u>	<u>(1.1%)</u>
Net return	(9.3%)	29.0%	1.7%	7.1%
<i>Distributions</i>	<u>(4.7%)</u>	<u>(5.3%)</u>	<u>(5.0%)</u>	<u>(5.0%)</u>
Net reinvested	<u>(14.0%)</u>	<u>23.7%</u>	<u>(3.3%)</u>	<u>(2.1%)</u>
KEA Pool				
Gross return	(9.4%)	23.3%	4.8%	6.2%
<i>Investment management fees</i>	<u>(0.7%)</u>	<u>(0.8%)</u>	<u>(0.7%)</u>	<u>(0.7%)</u>
Net return	(10.1%)	22.5%	4.1%	5.5%
<i>Distributions</i>	<u>(3.6%)</u>	<u>(3.2%)</u>	<u>(4.3%)</u>	<u>(3.7%)</u>
Net reinvested	<u>(13.7%)</u>	<u>19.3%</u>	<u>(0.2%)</u>	<u>1.8%</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, 2022 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)

	2018 ¹	2019 ²	2020	2021 ³	2022
Cash and short-term investments	\$ 206	\$ 224	\$ 224	\$ 216	\$ 255
Endowment and similar investments	781	809	803	1,001	862
Property and equipment, net	1,122	1,117	1,120	1,144	1,119
Other assets and deferred outflows of resources	<u>95</u>	<u>92</u>	<u>107</u>	<u>113</u>	<u>112</u>
Total Assets and Deferred Outflows of Resources	<u>2,204</u>	<u>2,242</u>	<u>2,254</u>	<u>2,474</u>	<u>2,348</u>
Derivative instruments - interest rate swaps	18	23	29	22	11
Postretirement medical benefits	90	83	91	86	78
Long-term debt	488	465	439	412	381
Other liabilities and deferred inflows of resources	<u>160</u>	<u>173</u>	<u>198</u>	<u>296</u>	<u>257</u>
Total Liabilities and Deferred Inflows of Resources	<u>756</u>	<u>744</u>	<u>757</u>	<u>816</u>	<u>727</u>
Net investment in capital assets	665	685	709	722	723
Restricted financial resources	481	495	497	606	591
Unrestricted financial resources	<u>302</u>	<u>318</u>	<u>291</u>	<u>330</u>	<u>307</u>
Total Net Position	<u>\$1,448</u>	<u>\$1,498</u>	<u>\$1,497</u>	<u>\$1,658</u>	<u>\$1,621</u>

¹ Beginning net position restated to reflect the adoption of GASB 75 related to postretirement medical obligations

² Beginning net position restated to reflect the adoption of GASB 83 related to asset retirement obligations

³ Certain balances restated to reflect the adoption of GASB 87 related to leases

As shown above, cash and short-term investment balances have been relatively stable over the past five years. Fiscal year 2022 included a transfer of \$50 million from the quasi-endowment fund to the short-term investment fund, as approved by the Board of Trustees, to be potentially used for future strategic investments. The endowment gains were moderate in fiscal years 2018 and 2019, slightly decreased in fiscal year 2020, and a large increase in fiscal year 2021 and a significant decrease in 2022. However, the overall net gains was \$49 million (23.8%) since fiscal year 2018, primarily due to favorable returns prior to fiscal year 2021. Property and equipment, net, decreased in FY22 as capital expenditures were less than annual depreciation expense.

Deferred inflows and outflows of resources include changes in the fair value of USNH's interest rate swap derivatives, accounting gains and losses related to refinancing certain bonds outstanding, impacts of changes in actuarial assumptions, differences between projected and actual earnings, and benefit payments made after the measurement dates of USNH benefit plans. For fiscal year 2021 and 2022, deferred inflows of resources also includes deferred inflows related to leases due to the adoption of GASB 87.

In fiscal year 2022, 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 a decrease of \$2 million in deferred outflows of resources, and an increase of \$4 million in deferred inflows of resources due to change of assumptions such as discount rate used, and updates to mortality assumption tables. The fair value of interest rate swap obligations resulted in an \$11 million decrease in deferred outflows.

In fiscal year 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 fiscal years 2017 and 2018, respectively.

USNH has large liabilities related to long-term debt, postretirement medical benefits, and added in fiscal year 2021 \$40 million (\$56 million total, net of \$16 million paid in fiscal year 2021) in new liabilities related to one-time separation incentives programs. In fiscal year 2021, lease liabilities beginning balances were adjusted by \$45 million due to adoption of GASB 87. Bond and lease principal payments ranged from \$19 million to \$29 million for fiscal years 2018 through 2022. 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 includes 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 decrease in accrued employee benefits in fiscal year 2022 is mainly due to \$32 million paid to or on behalf of the beneficiaries of the COVID-related voluntary retirement and separation incentive programs recognized in fiscal year 2021.

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 (\$329 million and \$307 million at June 30, 2022 and 2021, respectively). Unrestricted financial resources represent net assets that are available for any future use without legal restriction. (See Note 15 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, 2022 is shown below.

**Table 5A: Condensed Information from the Statement of Net Position as of June 30, 2022
Presented by Campus**

(\$ in millions)

	University of New Hampshire Campuses & Foundation	Plymouth State University	Keene State College & Endowment Association	Granite State College	System- wide Office	Total University System of New Hampshire
Cash and short-term investments	\$ 265	\$ 38	\$ 23	\$ 25	\$ (96)	\$ 255
Endowment and similar investments	449	36	52	10	315	862
Property and equipment, net	769	179	160	8	3	1,119
Other assets and deferred outflows of resources	<u>74</u>	<u>7</u>	<u>7</u>	<u>2</u>	<u>22</u>	<u>112</u>
Total Assets and Deferred Outflows of Resources	<u>1,557</u>	<u>260</u>	<u>242</u>	<u>45</u>	<u>244</u>	<u>2,348</u>
Derivative instruments - interest rate swaps	–	–	–	–	11	11
Postretirement medical benefits	55	10	9	2	2	78
Long-term debt	153	88	84	–	56	381
Other liabilities and deferred inflows of resources	<u>148</u>	<u>18</u>	<u>21</u>	<u>3</u>	<u>67</u>	<u>257</u>
Total Liabilities and Deferred Inflows of Resources	<u>356</u>	<u>116</u>	<u>114</u>	<u>5</u>	<u>136</u>	<u>727</u>
Net investment in capital assets	577	91	75	6	(26)	723
Restricted financial resources	491	34	55	11	–	591
Unrestricted financial resources	<u>133</u>	<u>19</u>	<u>(2)</u>	<u>23</u>	<u>134</u>	<u>307</u>
Total Net Position	<u>\$1,201</u>	<u>\$144</u>	<u>\$128</u>	<u>\$40</u>	<u>\$108</u>	<u>\$1,621</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, 2022.

The net tuition and fees revenue in these statements reflects revenue earned from enrolled students for academic programs, classes, and related fee-based services. Auxiliary services revenues reflect self-supporting activities which provide non-instructional support in the form of goods and services to students, faculty, and staff upon payment of a specific user charge or fee. These services include housing, dining, Division I athletics, health, recreation, transportation, student union and other 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.

Net tuition and fees decreased because of lower undergraduate enrollment and higher student financial need. Operating grants and contracts increased due to an increase in grants awarded to UNH from various state programs. Sale of auxiliary services revenue were up \$31 million in fiscal year 2022 due to the full return to normal operations at residential campuses. The State of NH appropriations increased in fiscal year 2021 to allow USNH to freeze undergraduate in-state tuition.

Endowment gifts totaled \$22 million in fiscal year 2022, \$10 million in fiscal year 2021, and \$15 million in fiscal year 2020. The investment return after distributions resulted in losses of \$112 million in fiscal year 2022, after gains of \$187 million in fiscal year 2021, and losses of \$24 million in fiscal year 2020. The volatility of endowment returns is a significant driver of the change in total net position each year. Operating expenses were down \$28 million in fiscal year 2022, after an increase of \$80 million in fiscal year 2021 primarily related to COVID-19 expenses including the voluntary employee separation programs. The fiscal year 2022 decrease in expenses is mainly due to reduction in compensation as a result of the voluntary separation incentive programs recognized in fiscal year 2021 and savings from restructuring and temporary reductions, net of inflationary cost increases in utilities and supplies and services.

The increase(decrease) in net position before other changes reflects USNH's operating margin each year. USNH's operating margin for fiscal year 2022 was \$31 million. This is primarily due to the return to normal operations for residential campus and the savings that resulted from an approximately 10% reduction of full-time benefited employees as of June 30, 2021, and other cost reduction measures implemented during the last few years.

Table 6: Condensed Information from the Statements of Revenues, Expenses and Changes in Net Position for the Years Ended June 30,
(\$ in millions)

	2018	2019	2020	2021	2022
OPERATING REVENUES					
Tuition and fees	\$514	\$522	\$517	\$508	\$505
Less: student financial aid	(188)	(197)	(200)	(207)	(214)
Net tuition and fees	326	325	317	301	291
Grants and contracts	127	129	131	144	192
Sales of auxiliary services	215	215	166	162	193
Other operating revenue	30	32	29	26	31
Total Operating Revenues	<u>698</u>	<u>701</u>	<u>643</u>	<u>633</u>	<u>707</u>
OPERATING EXPENSES					
Employee compensation	533	535	538	578	508
Supplies and services	208	204	191	230	270
Utilities, depreciation and amortization	84	84	87	88	90
Total Operating Expenses	<u>825</u>	<u>823</u>	<u>816</u>	<u>896</u>	<u>868</u>
Operating loss	(127)	(122)	(173)	(263)	(161)
NONOPERATING REVENUES (EXPENSES)					
State of New Hampshire general appropriations	81	81	86	89	89
Other nonoperating grant revenue	26	26	41	83	70
Noncapital gifts, investment income and other revenues	44	56	59	62	48
Interest expense, net	(18)	(17)	(16)	(17)	(15)
Total Nonoperating Revenues (Expenses)	<u>133</u>	<u>146</u>	<u>170</u>	<u>217</u>	<u>192</u>
Increase (Decrease) in Net Position Before Other Changes	<u>6</u>	<u>24</u>	<u>(3)</u>	<u>(46)</u>	<u>31</u>
OTHER CHANGES IN NET POSITION					
Endowment gifts and returns, net	45	27	(10)	197	(90)
State capital appropriations and other changes	5	2	12	9	22
Total Other Changes in Net Position	<u>50</u>	<u>29</u>	<u>2</u>	<u>206</u>	<u>(68)</u>
Effect of adoption of new accounting standards	(42)	(2)	-	-	-
Total Increase (Decrease) in Net Position	<u>\$ 14</u>	<u>\$ 51</u>	<u>\$ (1)</u>	<u>\$ 160</u>	<u>\$ (37)</u>

Table 6A below provides condensed information from the Statements of Revenues, Expenses and Changes in Net Position presented by campus for the year ended June 30, 2022.

Table 6A: Condensed Information from the Statement of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2022 Presented by Campus

(\$ in millions)

	University of New Hampshire Campuses & Foundation	Plymouth State University	Keene State College & Endowment Association	Granite State College	System- wide Office	Total University System of New Hampshire
OPERATING REVENUES						
Tuition and fees	\$368	\$70	\$ 54	\$13	\$ -	\$505
Less: student financial aid	(156)	(29)	(24)	(5)	-	(214)
Net tuition and fees	212	41	30	8	-	291
Grants and contracts	179	3	6	4	-	192
Sales and auxiliary services	133	32	28	-	-	193
Other operating revenue	23	2	2	-	4	31
Total Operating Revenues	547	78	66	12	4	707
OPERATING EXPENSES						
Employee compensation	387	47	52	11	11	508
Supplies and services	200	37	35	5	(7)	270
Utilities, depreciation and amortization	62	14	13	1	-	90
Total Operating Expenses	649	98	100	17	4	868
Operating loss	(102)	(20)	(34)	(5)	-	(161)
NONOPERATING REVENUES (EXPENSES)						
State of New Hampshire general appropriations	60	13	12	4	-	89
Other nonoperating grant revenue	40	17	11	3	(1)	70
Noncapital gifts, investment income and other revenues	43	3	4	1	(3)	48
Interest expense, net	(7)	(3)	(3)	-	(2)	(15)
Total Nonoperating Revenues (Expenses)	136	30	24	8	(6)	192
Increase (Decrease) in Net Position Before Other Changes	34	10	(10)	3	(6)	31
OTHER CHANGES IN NET POSITION						
Endowment gifts and returns, net	(48)	(2)	(3)	(1)	(36)	(90)
State capital appropriations and other changes	62	7	15	-	(62)	22
Total Other Changes in Net Position	14	5	12	(1)	(98)	(68)
Total Increase (Decrease) in Net Position	\$ 48	\$15	\$ 2	\$ 2	\$(104)	\$ (37)

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, 2022.

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

(\$ in millions)

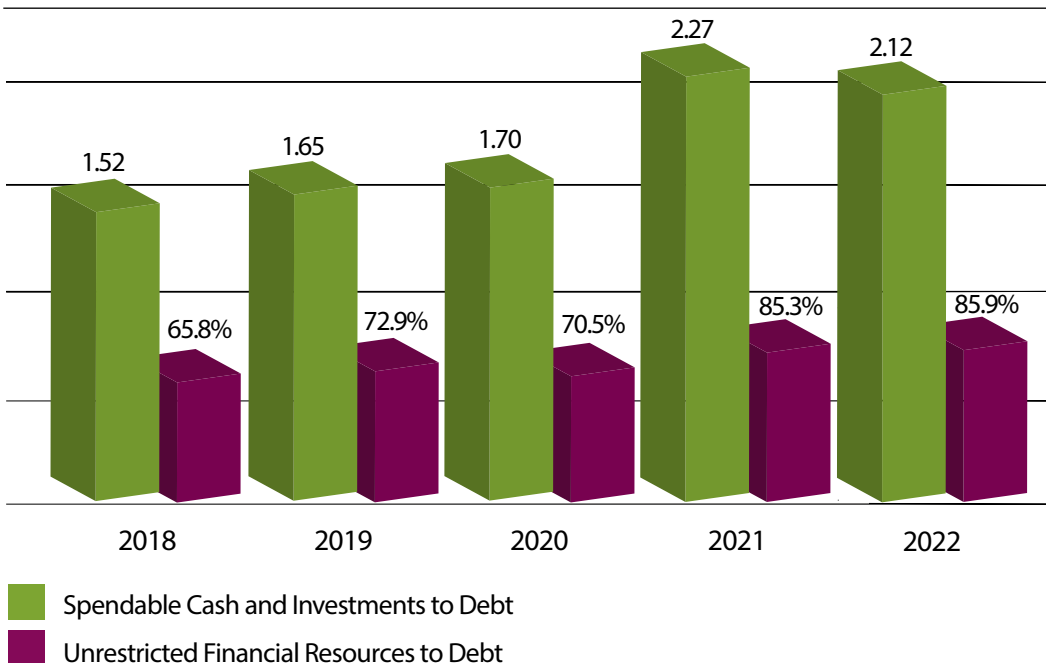
	2018	2019	2020	2021	2022
Cash flows from:					
Receipts from tuition and fees, net	\$328	\$327	\$348	\$289	\$294
Receipts from sales of auxiliary services	214	216	165	164	193
Receipt of state general appropriations	81	81	86	89	89
Noncapital gifts, grants and other receipts	203	198	212	282	300
Payments to and on behalf of employees	(537)	(532)	(532)	(533)	(552)
Payments for supplies, services and utilities	(227)	(222)	(211)	(248)	(290)
Net Cash Provided by Operating and Noncapital Financing Activities	62	68	68	43	34
Net Cash Used in Capital Financing Activities	(83)	(78)	(90)	(80)	(55)
Net Cash Provided by Investing Activities	10	30	12	57	46
Increase/(Decrease) in Cash and Cash Equivalents	\$ (11)	\$ 20	\$ (10)	\$ 20	\$ 25

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 increase in cash flows from operating and noncapital financing activities is primarily related to an increase in auxiliary revenue and revenue generated by grant activity. The net cash used in capital financing activities for fiscal year 2022 decreased primarily due to less construction spend as a result of continued cash preservation efforts employed to address the uncertainty associated with the COVID pandemic and supply chain issues associated with the economic conditions. The cash provided by investing activities in fiscal year 2022 is down from the prior year because of investment market decrease in fiscal year 2022.

D. Financial Indicators

USNH uses certain Moody's leverage ratios as primary indicators of financial health. The UFR to Debt ratio uses the unrestricted net position balance as the numerator and the outstanding long term debt balance (defined as total long term debt net of unamortized discounts/premiums) as the denominator. The Spendable Cash and Investments to Debt (SCI to Debt) ratio uses wealth that can be accessed over time or for a specific purpose to repay bondholders. USNH's historically 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 76%, and 1.86 for the SCI to Debt ratio. The 2022 and 2021 increase above the historical averages in these ratios is due to higher than normal investment market valuations during 2021 net of market loss in 2022, and the recovered auxiliary activity in 2022. Both ratios reflect sufficient available support for ongoing initiatives. (See Notes 8 and 16 to the Financial Statements for additional information in this regard).

Chart 6: Ratios



For further information about these financial statements, contact the University System of New Hampshire, Financial Affairs (603-862-2260), 5 Chenell Drive, Suite 301, Concord, NH 03301

University System of New Hampshire

Statements of Net Position

(\$ in thousands)

	Balance at June 30,	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 110,832	\$ 85,670
Short-term investments	144,266	130,477
Accounts receivable, net	42,161	27,037
Pledges receivable - current portion	3,599	2,549
Notes receivable - current portion	1,594	1,742
Lease receivable - current portion	1,072	1,167
Prepaid expenses and other current assets	9,708	9,903
Total Current Assets	313,232	258,545
Noncurrent Assets		
Endowment and similar investments - campuses	574,055	682,429
Endowment and similar investments - affiliated entities	287,758	318,818
Pledges receivable, net of current portion	7,231	7,131
Notes receivable, net of current portion	5,943	8,323
Lease receivable, net of current portion	6,403	7,406
Pension assets, net of obligations	714	1,557
Property and equipment, net of accumulated depreciation/amortization	1,119,116	1,143,525
Total Noncurrent Assets	2,001,220	2,169,189
TOTAL ASSETS	2,314,452	2,427,734
DEFERRED OUTFLOWS OF RESOURCES	33,702	46,463
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	85,583	81,643
Deposits and unearned revenues	54,438	56,012
Accrued employee benefits - current portion	11,881	37,462
Postretirement medical benefits - current portion	7,201	5,342
Long-term leases - current portion	2,438	2,598
Long-term debt - current portion	25,780	30,675
Total Current Liabilities	187,321	213,732
Noncurrent Liabilities		
Asset retirement and other obligations	6,311	13,847
Refundable government advances	7,674	10,715
Accrued employee benefits, net of current portion	29,252	33,926
Postretirement medical benefits, net of current portion	70,659	80,797
Derivative instruments - interest rate swaps	11,105	22,280
Long-term leases, net of current portion	38,285	40,724
Long-term debt, net of current portion	354,853	381,003
Total Noncurrent Liabilities	518,139	583,292
TOTAL LIABILITIES	705,460	797,024
DEFERRED INFLOWS OF RESOURCES	21,905	19,532
NET POSITION (see Note 15)		
Net investment in capital assets	723,041	721,356
Restricted		
Nonexpendable	328,572	306,566
Expendable	262,000	299,440
Unrestricted	307,176	330,279
TOTAL NET POSITION	\$1,620,789	\$1,657,641

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,	
	2022	2021
OPERATING REVENUES		
Resident tuition	\$ 156,473	\$ 163,329
Nonresident tuition	307,767	302,827
Continuing education tuition	16,213	17,572
Student fees revenue	24,348	24,329
Total tuition and fees	504,801	508,057
Less: student financial aid - grants and contracts	(30,679)	(31,759)
Less: student financial aid - all other	(183,444)	(175,463)
Net tuition and fees	290,678	300,835
Grants and contracts - direct revenues	162,456	120,066
Grants and contracts - facilities & administrative recovery	30,113	24,128
Sales of auxiliary services	193,330	162,456
Other operating revenues	30,726	26,313
TOTAL OPERATING REVENUES	707,303	633,798
OPERATING EXPENSES		
Employee compensation - grants and contracts	71,923	69,900
Employee compensation - all other	436,115	508,122
Supplies and services - grants and contracts	104,834	77,697
Supplies and services - all other	165,235	152,627
Utilities	18,649	15,776
Depreciation and amortization	71,648	72,499
TOTAL OPERATING EXPENSES	868,404	896,621
Operating loss	(161,101)	(262,823)
NONOPERATING REVENUES (EXPENSES)		
State of New Hampshire general appropriations	88,500	88,500
Federal Pell grants	21,711	23,084
Other nonoperating grant revenue	48,985	60,073
Noncapital gifts	16,958	22,366
Endowment and investment income	31,233	38,882
Interest expense, net	(15,354)	(16,975)
Other nonoperating revenue	422	1,498
TOTAL NONOPERATING REVENUES (EXPENSES)	192,455	217,428
INCREASE (DECREASE) IN NET POSITION BEFORE OTHER CHANGES	31,354	(45,395)
OTHER CHANGES IN NET POSITION		
State of New Hampshire capital appropriations	18,736	4,562
Plant gifts, grants and other changes, net	3,278	4,513
Endowment and similar gifts	21,566	9,717
Endowment return, net of amount used for operations	(111,786)	186,900
TOTAL OTHER CHANGES IN NET POSITION	(68,206)	205,692
INCREASE (DECREASE) IN NET POSITION	(36,852)	160,297
NET POSITION AT BEGINNING OF YEAR	1,657,641	1,497,344
NET POSITION AT END OF YEAR	\$1,620,789	\$1,657,641

See accompanying notes to the financial statements.

University System of New Hampshire

Statements of Cash Flows

(\$ in thousands)

	For the year ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tuition and fees, net of student financial aid	\$ 293,739	\$ 289,573
Receipts from sales of auxiliary services	192,999	163,557
Receipts from grants, contracts and other operating revenues	213,123	169,936
Payments to employees	(388,860)	(389,744)
Payments for employee benefits	(163,061)	(143,329)
Payments for supplies, services and utilities	(289,742)	(247,859)
NET CASH USED IN OPERATING ACTIVITIES	(141,802)	(157,866)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State general appropriations	88,500	88,500
Federal Pell and other nonoperating grants	71,633	93,432
Noncapital gifts	15,754	19,160
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	175,887	201,092
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State appropriations for plant projects	12,888	30
Plant gifts and grants	8,495	4,660
Endowment gifts	20,518	9,717
Proceeds from issuance of debt, sale of property and lease acquisition	110	3,495
Principal payments	(31,361)	(27,713)
Interest payments	(16,962)	(18,031)
Purchases and construction of property	(48,611)	(52,243)
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(54,923)	(80,085)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	548,246	435,196
Purchases of investments	(503,242)	(383,524)
Investment income	996	5,518
NET CASH PROVIDED BY INVESTING ACTIVITIES	46,000	57,190
INCREASE IN CASH AND CASH EQUIVALENTS	25,162	20,331
BEGINNING CASH AND CASH EQUIVALENTS	85,670	65,339
ENDING CASH AND CASH EQUIVALENTS	\$ 110,832	\$ 85,670
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (161,101)	\$ (262,823)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	71,648	72,499
Changes in assets and liabilities:		
Accounts receivable, net	(13,527)	(505)
Notes receivable	(512)	560
Lease receivable	413	(387)
Prepaid expenses and other current assets	195	(2,488)
Accounts payable and accrued expenses	431	15,934
Deposits and unearned revenues	2,143	(12,346)
Accrued employee benefits	(41,492)	31,690
NET CASH USED IN OPERATING ACTIVITIES	\$(141,802)	\$(157,866)
SIGNIFICANT NONCASH TRANSACTIONS		
Endowment return, net of amount used for operations	\$ (111,786)	\$ 186,900
Loss on disposal of capital assets	(5,164)	(147)
Construction services payable balance	11,266	7,456

See accompanying notes to the financial statements.

Notes to the Financial Statements

June 30, 2022 and 2021

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 17. 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 15:

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, except for intangible right to use lease assets, the measurement of which is discussed in Note 9. 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. The value of equipment acquired under 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 the University of New Hampshire Franklin Pierce School of Law (UNHL) 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. Lease liabilities are recognized based on specific accounting rules applicable to the type of lease.

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. The operating expenses also included the use of federal 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 non-endowment 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 \$9,313,000 and \$10,563,000 at June 30, 2022 and 2021, 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

The System's financial statements and notes for fiscal 2022 and 2021 as presented herein reflect the adoption of the of Governmental Accounting Standards Board's new accounting standard, GASB Statement No. 87, *Leases*, as of July 1, 2020. Under

Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of this adoption the opening net position as of July 1, 2021, was reduced by \$983,000. See Note 9 for additional information on leases.

2. Cash, cash equivalents and short-term investments

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 AAA 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. 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 \$110,832,000 and \$85,670,000 at June 30, 2022 and 2021, respectively, and short-term investments totaled \$144,266,000 and \$130,477,000 at June 30, 2022 and 2021, 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*):

	Balance and Terms as of June 30, 2022					Balance and Terms as of June 30, 2021				
	Cash	Cash Equivalents and Short-Term Investments		Total	Weighted Average Maturity	Cash	Cash Equivalents and Short-Term Investments		Total	Weighted Average Maturity
		Level 1	Level 2				Level 1	Level 2		
Cash balance	\$59,296	\$ -	\$ -	\$ 59,296		\$42,166	\$ -	\$ -	\$ 42,166	
Repurchase agreements	-	-	12,889	12,889	Less than 1 year	-	-	4,845	4,845	Less than 1 year
Money market funds	-	38,647	-	38,647	Less than 1 year	-	38,659	-	38,659	Less than 1 year
Subtotal cash and cash equivalents	59,296	38,647	12,889	110,832		42,166	38,659	4,845	85,670	
Money market funds	-	33,054	-	33,054	Less than 1 year	-	38,237	-	38,237	Less than 1 year
Domestic equity	-	711	-	711	Less than 1 year	-	795	-	795	Less than 1 year
Mutual Funds	-	110,457	-	110,457	1-5 years	-	91,407	-	91,407	1-5 years
Convertible note	-	-	44	44	1-5 years	-	-	38	38	1-5 years
Subtotal short-term investments	-	144,222	44	144,266		-	130,439	38	130,477	
Total cash, cash equivalents and short-term investments	<u>\$59,296</u>	<u>\$182,869</u>	<u>\$12,933</u>	<u>\$255,098</u>		<u>\$42,166</u>	<u>\$169,098</u>	<u>\$4,883</u>	<u>\$216,147</u>	

3. Accounts, pledges, notes, and lease receivable

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

	2022	2021
Grants and contracts	\$33,154	\$22,983
Student and general	9,867	7,530
State of NH capital projects	2,112	–
Allowance for doubtful accounts	<u>(2,972)</u>	<u>(3,476)</u>
Total accounts receivable, net	\$42,161	\$27,037

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

	2022	2021
Pledges receivable	\$12,228	\$10,919
Discounts and allowance for doubtful pledges	<u>(1,398)</u>	<u>(1,239)</u>
Total pledges receivable, net	10,830	9,680
Less: noncurrent portion	<u>(7,231)</u>	<u>(7,131)</u>
Current portion	\$ 3,599	\$ 2,549

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

	2022	2021
Perkins loans	\$7,353	\$10,067
Other loans, restricted and unrestricted	1,622	1,348
Allowance for doubtful loans	<u>(1,438)</u>	<u>(1,350)</u>
Total notes receivable, net	7,537	10,065
Less: noncurrent portion	<u>(5,943)</u>	<u>(8,323)</u>
Current portion	\$1,594	\$ 1,742

Lease receivable at June 30 consisted primarily of long-term leases as follows (\$ in thousands):

	2022	2021
Long-term lease receivable	\$7,406	\$8,486
Accrued interest receivable	<u>69</u>	<u>87</u>
Total lease receivable, net	7,475	8,573
Less: noncurrent portion	<u>(6,403)</u>	<u>(7,406)</u>
Current portion	\$1,072	\$ 1,167

See Note 9 for additional information on leases.

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 25% 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 25% of the endowment pool with a policy range of 0% - 25%. No USNH endowment investments were denominated in foreign currencies as of June 30, 2022 or June 30, 2021.

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, 2022, and 2021, 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, 2022 and 2021, respectively, are summarized below (\$ in thousands):

	Campuses		Affiliated Entities	
	2022	2021	2022	2021
Pooled endowments:				
Campuses	\$556,834	\$662,606	\$ –	\$ –
UNH Foundation	–	–	265,737	296,533
Keene Endowment Association	–	–	16,838	17,022
Life income and annuity funds	85	98	5,183	5,263
Funds held in trust	<u>17,136</u>	<u>19,725</u>	<u>–</u>	<u>–</u>
Total	\$574,055	\$682,429	\$287,758	\$318,818

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 10 years and 11 years at June 30, 2022 and 2021, respectively, and carried ratings ranging from AAA to Baa3 as of June 30, 2022 and 2021. 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, 2022					Balances as of June 30, 2021				
	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		
Endowment and similar investments – campuses										
Domestic equity	\$ 91,066	\$ –	\$ –	\$ 78,237	\$169,303	\$137,688	\$ –	\$ –	\$105,340	\$243,028
Global equity	–	–	–	7,923	7,923	–	–	–	10,851	10,851
Global fixed income	47,158	–	–	–	47,158	62,876	–	–	–	62,876
Hedge funds:										
Distressed/Restructuring	–	–	–	19,669	19,669	–	–	–	21,319	21,319
Equity Hedge	–	–	–	32,954	32,954	–	–	–	43,887	43,887
Event-Driven	–	–	–	68,860	68,860	–	–	–	70,436	70,436
Fund of Funds	–	–	–	786	786	–	–	–	2,009	2,009
Inflation hedging assets	9,327	–	–	10,780	20,107	12,784	–	–	12,671	25,455
International equity	13,030	–	–	61,798	74,828	23,994	–	–	62,684	86,678
Money market	8,203	–	–	–	8,203	27,188	–	–	–	27,188
Private equity & non-marketable real assets	–	–	–	107,127	107,127	–	–	–	68,977	68,977
Trust funds	–	17,137	–	–	17,137	–	19,725	–	–	19,725
Total endowment and similar investments – campuses	\$168,784	\$17,137	\$ –	\$388,134	\$574,055	\$264,530	\$19,725	\$ –	\$398,174	\$682,429
Endowment and similar investments – affiliated entities										
Domestic equity	\$ 17,806	\$ –	\$ –	\$ 51,190	\$ 68,996	\$ 19,815	\$ –	\$ –	\$ 59,346	\$ 79,161
Global equity	566	–	–	43,620	44,186	569	–	–	26,760	27,329
Global fixed income	16,702	9,025	4,350	–	30,077	16,771	3,017	4,292	–	24,080
Hedge funds:										
Distressed/Restructuring	–	–	–	28,499	28,499	–	–	–	39,918	39,918
Diversified	–	–	–	6,592	6,592	–	–	–	7,251	7,251
Equity Hedge	–	–	–	13,576	13,576	–	–	–	30,549	30,549
Inflation hedging assets	13,667	–	–	–	13,667	4,311	6,313	–	–	10,624
International equity	12,814	–	–	16,275	29,089	9,825	–	–	44,043	53,868
Money market	9,962	–	–	–	9,962	12,399	–	–	–	12,399
Private equity & non-marketable real assets	–	–	–	43,114	43,114	–	–	–	33,639	33,639
Total endowment and similar investments – affiliated entities	\$ 71,517	\$ 9,025	\$4,350	\$202,866	\$287,758	\$ 63,690	\$ 9,330	\$4,292	\$241,506	\$ 318,818
Total endowment and similar investments	\$240,301	\$26,162	\$4,350	\$591,000	\$861,813	\$328,220	\$29,055	\$4,292	\$639,680	\$1,001,247

As of June 30, 2022, USNH had no funds in lock-up. As of June 30, 2022, UNHF had a one year lock-up period for one of its 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 39 funds classified as illiquid, nine are currently in liquidation; one is expected to start liquidation within the next year; twenty-three are expected to start liquidation in 2 to 15 years, and six currently have no expected liquidation dates. For UNHF, 21 funds are classified as illiquid and are expected to be liquidated over the next one to 12 years.

As of June 30, 2022 and 2021, USNH had one outstanding investment liquidation request which has been limited by the respective fund managers. USNH's estimated fair values of these investments at June 30, 2022 and 2021 were \$71,000 and \$50,000, 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 \$48,012,000 for USNH and \$27,429,000 for UNHF at June 30, 2022. This compares to \$42,366,000 and \$17,901,000, respectively, at June 30, 2021.

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

Liquidity Terms as of June 30, 2022								
	Daily	Monthly	Quarterly	Semi-Annual	Annual	illiquid	Total	Redemption Notice Period
Endowment and similar investments – campuses								
Money market	\$ 8,203	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 8,203	Daily
Global fixed income	47,158	–	–	–	–	–	47,158	Daily
International equity	22,678	52,150	–	–	–	–	74,828	1-10 days
Inflation hedging assets	9,327	10,780	–	–	–	–	20,107	1-15 days
Domestic equity	91,066	–	78,237	–	–	–	169,303	1-60 days
Global equity	–	–	7,923	–	–	–	7,923	30 days
Hedge funds:								
Equity Hedge	–	–	32,954	–	–	–	32,954	30-60 days
Event-Driven	–	–	28,482	40,378	–	–	68,860	60-90 days
Distressed/Restructuring	–	–	–	–	19,669	–	19,669	90 days
Fund of Funds	–	–	–	–	–	786	786	illiquid
Private equity & non-marketable real assets	–	–	–	–	–	107,127	107,127	illiquid
Funds held in trust	–	–	–	–	–	17,137	17,137	illiquid
Total endowment and similar investments – campuses	<u>\$178,432</u>	<u>\$62,930</u>	<u>\$147,596</u>	<u>\$40,378</u>	<u>\$19,669</u>	<u>\$125,050</u>	<u>\$574,055</u>	
Endowment and similar investments – affiliated entities								
Money market	\$ 9,962	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 9,962	Daily
Inflation hedging assets	13,667	–	–	–	–	–	13,667	Daily
Global fixed income	25,727	–	–	–	2,765	1,585	30,077	Daily, illiquid
Global equity	12,883	16,407	14,896	–	–	–	44,186	1-30 days
Domestic equity	23,429	6,119	39,448	–	–	–	68,996	1-60 days
International equity	26,433	–	2,656	–	–	–	29,089	1-90 days
Hedge funds:								
Equity Hedge	–	–	13,576	–	–	–	13,576	30-90 days
Diversified	–	–	–	4,429	2,163	–	6,592	60 days
Distressed/Restructuring	–	–	6,843	11,606	10,050	–	28,499	60-90 days
Private equity & non-marketable real assets	–	–	–	–	–	43,114	43,114	illiquid
Total endowment and similar investments - affiliated entities	<u>\$112,101</u>	<u>\$22,526</u>	<u>\$ 77,419</u>	<u>\$16,035</u>	<u>\$14,978</u>	<u>\$ 44,699</u>	<u>\$287,758</u>	
Total endowment and similar investments	<u>\$290,533</u>	<u>\$85,456</u>	<u>\$225,015</u>	<u>\$56,413</u>	<u>\$34,647</u>	<u>\$169,749</u>	<u>\$861,813</u>	
Liquidity Terms as of June 30, 2021								
	Daily	Monthly	Quarterly	Semi-Annual	Annual	illiquid	Total	Redemption Notice Period
Endowment and similar investments – campuses								
Money market	\$ 27,188	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 27,188	Daily
Global fixed income	62,876	–	–	–	–	–	62,876	Daily
International equity	23,994	62,684	–	–	–	–	86,678	1-10 days
Inflation hedging assets	12,784	12,671	–	–	–	–	25,455	1-15 days
Domestic equity	137,688	–	105,340	–	–	–	243,028	1-60 days
Global equity	–	–	10,851	–	–	–	10,851	30 days
Hedge funds:								
Equity Hedge	–	–	43,541	–	346	–	43,887	60 days
Event-Driven	–	–	29,286	41,150	–	–	70,436	60-90 days
Distressed/Restructuring	–	–	–	–	21,319	–	21,319	90 days
Fund of Funds	–	–	–	–	–	2,009	2,009	illiquid
Private equity & non-marketable real assets	–	–	–	–	–	68,977	68,977	illiquid
Funds held in trust	–	–	–	–	–	19,725	19,725	illiquid
Total endowment and similar investments – campuses	<u>\$264,530</u>	<u>\$ 75,355</u>	<u>\$189,018</u>	<u>\$41,150</u>	<u>\$21,665</u>	<u>\$ 90,711</u>	<u>\$ 682,429</u>	
Endowment and similar investments – affiliated entities								
Money market	\$ 12,399	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 12,399	Daily
Inflation hedging assets	10,624	–	–	–	–	–	10,624	Daily
Global fixed income	19,789	–	–	–	4,228	63	24,080	Daily, illiquid
Global equity	7,042	–	20,287	–	–	–	27,329	1-30 days
Domestic equity	27,227	7,812	44,122	–	–	–	79,161	1-60 days
International equity	27,988	22,381	3,499	–	–	–	53,868	1-90 days
Hedge funds:								
Equity Hedge	–	–	30,549	–	–	–	30,549	30-90 days
Diversified	–	–	–	4,638	2,613	–	7,251	60 days
Distressed/Restructuring	–	–	9,331	12,464	18,123	–	39,918	60-90 days
Private equity & non-marketable real assets	–	–	–	–	–	33,639	33,639	illiquid
Total endowment and similar investments - affiliated entities	<u>\$105,069</u>	<u>\$ 30,193</u>	<u>\$107,788</u>	<u>\$17,102</u>	<u>\$24,964</u>	<u>\$ 33,702</u>	<u>\$318,818</u>	
Total endowment and similar investments	<u>\$369,599</u>	<u>\$105,548</u>	<u>\$296,806</u>	<u>\$58,252</u>	<u>\$46,629</u>	<u>\$124,413</u>	<u>\$1,001,247</u>	

5. Property and equipment

Property and equipment activity for the years ended June 30, 2022 and 2021 is summarized as follows (\$ in thousands):

	2021			2022			Balance June 30, 2022
	Balance June 30, 2020	Additions	Retirements & Changes	Balance June 30, 2021	Additions	Retirements & Changes	
Nondepreciable property and equipment							
Land	\$ 17,962	\$ –	\$ (2,706)	\$ 15,256	\$ 29	\$ –	\$ 15,285
Construction in progress, net	66,152	43,208	(49,096)	60,264	44,358	(12,626)	91,996
Total nondepreciable property and equipment	84,114	43,208	(51,802)	75,520	44,387	(12,626)	107,281
Depreciable property and equipment							
Buildings and improvements	1,858,870	49,096	(7,721)	1,900,245	12,597	(13,628)	1,899,214
Equipment	152,326	10,259	(1,929)	160,656	8,063	(5,964)	162,755
Intangible right to use assets - real estate	44,065	–	–	44,065	–	–	44,065
Intangible right to use assets - equipment	776	789	–	1,565	–	–	1,565
Total nondepreciable property and equipment	<u>2,056,037</u>	<u>60,144</u>	<u>(9,650)</u>	<u>2,106,531</u>	<u>20,660</u>	<u>(19,592)</u>	<u>2,107,599</u>
Total property and equipment	2,140,151	103,352	(61,452)	2,182,051	65,047	(32,218)	2,214,880
Less: accumulated depreciation/amortization	(975,385)	(72,406)	9,265	(1,038,526)	(71,556)	14,318	(1,095,764)
Property and equipment, net	<u>\$1,164,766</u>	<u>\$ 30,946</u>	<u>\$(52,187)</u>	<u>\$1,143,525</u>	<u>\$(6,509)</u>	<u>\$(17,900)</u>	<u>\$ 1,119,116</u>

Contractual obligations for major construction projects totaled approximately \$64,753,000 and \$66,042,000 at June 30, 2022 and 2021, respectively. See Note 9 for additional information on intangible right to use assets.

6. Accrued employee benefits

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

	2021			2022			Balance June 30, 2022	Current Portion
	Balance June 30, 2020	Payments to/ on Behalf of Participants	Expenses & Other Changes	Balance June 30, 2021	Payments to/ on Behalf of Participants	Expenses & Other Changes		
Additional retirement contribution	\$ 2,059	\$ (865)	\$ 632	\$ 1,826	\$ (42)	\$ (776)	\$ 1,008	\$ 42
Standard employee separation incentives	2,104	(896)	526	1,734	(1,892)	1,375	1,217	1,108
Enhanced retirement and separation programs	–	(15,789)	56,086	40,297	(32,245)	5,279	13,331	6,586
Long-term disability	2,032	(429)	(122)	1,481	(313)	(96)	1,072	312
Workers' compensation	2,871	(878)	850	2,843	(928)	764	2,679	928
Compensated absences	20,857	(5,102)	6,563	22,318	(4,012)	2,864	21,170	2,450
Other benefits	1,217	–	(328)	889	(290)	57	656	455
Total accrued employee benefits	<u>\$31,140</u>	<u>\$(23,959)</u>	<u>\$64,207</u>	<u>\$71,388</u>	<u>\$(39,722)</u>	<u>\$9,467</u>	<u>\$41,133</u>	<u>\$11,881</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 postretirement 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 years less 1% of the participant's salary account. There were 149 and 155 active employees meeting the requirements for the guaranteed minimum employer contribution as of June 30, 2022 and 2021, 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, 2021, and were developed using the Entry Age Normal Actuarial Cost Method. The discount rate used in determining the accrued liabilities was 2.06% and 2.12% for 2022 and 2021, 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-2021. USNH accrued \$1,008,000 and \$1,826,000 at June 30, 2022 and 2021, respectively, for the related obligations. If the discount rate were to increase by 1%, the total liability at June 30, 2022 would be \$965,000. Similarly, if the discount rate were

to decrease by 1%, the total liability at June 30, 2022 would be \$1,053,000. The Additional Retirement Contribution program expense was (\$150,000) and (\$102,000) for fiscal years 2022 and 2021, respectively.

USNH had designated cash assets to fully fund the Additional Retirement Contribution obligations at June 30, 2022 and 2021. These assets are not administrated 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 \$25,049,000 and \$27,291,000 in 2022 and 2021, respectively. Retirement contributions by plan members totaled \$26,815,000 and \$29,289,000 in 2022 and 2021, respectively.

Early retirement and employee separation incentive programs were provided to various faculty and staff during 2022 and 2021. Such incentives include stipends, as well as medical, educational, and other termination benefits. The future cost associated with these incentive options is accrued as of the date of acceptance into the program. The liability balances of \$1,217,000 and \$1,734,000 at June 30, 2022 and 2021 represent obligations for 20 and 28 participants, respectively, which will be remitted in fiscal years 2023 through 2025.

USNH Board of Trustees approved voluntary separation incentive programs for reduction of force for 2021. Such incentives include salary continuation, year of service stipends, and medical benefits. As of June 30, 2021, the liability balance for these programs was \$40,297,000. The liability balance of \$13,331,000 at June 30, 2022, represents obligations for 262 participants, which will be remitted in fiscal years 2023 through 2027.

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 \$59,662,000 and \$66,657,000 for fiscal year 2022 and 2021, respectively. These amounts include \$3,379,000 and \$3,811,000 for estimated claims incurred but not reported as of June 30, 2022 and 2021, 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 \$600,000 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, 2022 and 2021 are summarized below (*\$ in thousands*):

Trust Investment Components	2022	2021
Cash and equivalents	\$ 136	\$ 367
Fixed income	1,565	2,727
Equities	3,537	3,365
Real assets	68	90
Total including accrued income	<u>\$5,306</u>	<u>\$6,549</u>

The plan has been closed to new participants since 1987. At June 30, 2022 there were approximately 152 current annuitants and 12 participants with deferred benefits, all fully vested. This compares to 149 current annuitants and 27 participants with deferred benefits as of June 30, 2021. The determination of total pension liabilities for this program was based on actuarial calculations completed by the plan trustee as of June 30, 2022 and 2021. The calculations were developed using the Entry Age Normal Actuarial Cost Method and the PubG-2010 Total Dataset with MP- 2021 mortality tables. The 2021 valuation used Scale MP-2020. 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 \$5,306,000 as of June 30, 2022 and \$6,549,000 as of June 30, 2021 which resulted in the recording of a net pension asset of \$714,000 and \$1,557,000 for fiscal years 2022 and 2021, respectively. The actuarially determined liability for the program

was \$4,593,000 as of June 30, 2022 and \$4,992,000 as of June 30, 2021. If the discount rate were to increase by 1%, the net pension asset at June 30, 2022 would be \$1,018,000. Similarly, if the discount rate were to decrease by 1%, the net pension asset at June 30, 2022 would be \$367,000. The plan expense was (\$233,000) and (\$212,000) for fiscal years 2022 and 2021, 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, 2021 and 2020, respectively, there were 899 and 942 former employees receiving benefits under this program along with their eligible dependents. As of December 31, 2021 and 2020, there were 67 and 107 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, 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, 2021 and 2020, respectively, there were 32 and 97 retirees receiving benefits under this program along with their dependents. As of December 31, 2021 and 2020, respectively, there were also 3,248 and 3,415 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, 2022 and 2021 were as follows (*\$ in thousands*):

Postretirement Medical Plan Liability	2022	2021
Service costs	\$ 1,132	\$ 1,143
Interest	1,792	2,444
Benefit payments	(5,338)	(4,795)
Change of benefit terms	-	(9,533)
Differences between expected and actual experience	363	(999)
Changes in assumptions	<u>(6,126)</u>	<u>7,336</u>
Net change	(8,177)	(4,404)
Liability at beginning of year	<u>86,037</u>	<u>90,441</u>
Liability at end of year	<u>\$77,860</u>	<u>\$86,037</u>
Current portion	<u>\$ 7,201</u>	<u>\$ 5,342</u>

The total postretirement benefit obligation is measured at December 31, 2021 for the June 30, 2022 financial statements based on the last biennial actuarial valuation, December 31, 2021, developed using the Entry Age Normal Actuarial Cost Method and the PubT.H-2010 mortality tables with Scale MP-2021. A rollforward calculation was performed for the December 31, 2020 measurement date based on the biennial actuarial valuation to calculate postretirement benefit obligation for the June 30, 2021 financial statements using the Entry Age Normal Cost Method and the PubT.H- 2010 Teacher Employee Headcount-weighted Mortality Table projected generationally with Scale MP-2019. For measurement purposes the 2022 and 2021 initial rate of increase in the cost of healthcare services was assumed to be 8.0% and 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 9.0% for 2022 and 8.5% for 2021, reduced by 0.50% each year thereafter until reaching an ultimate rate of 4.5% per year. Salary increases of 3.0% were included in the calculations for fiscal year 2022 and 2021. A single discount rate of 2.06% and 2.12% was used based on the Bond Buyer 20-Bond General Obligation index rate as of December 31, 2021 and 2020, respectively. The actuarially determined postretirement medical expense for the plan for the years ended June 30, 2022 and 2021 were \$2,971,000 and (\$5,108,000), 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, 2021	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
	\$70,976	\$77,860	\$85,879	\$85,401	\$77,860	\$71,365
OPEB liability as of December 31, 2020	\$78,204	\$86,037	\$95,242	\$95,556	\$86,037	\$77,926

The benefit payments subsequent to the measurement date for the years ended June 30, 2022 and 2021 were \$4,277,000 and \$2,965,000, respectively. USNH also accrued \$102,000 as of June 30, 2021 for potential obligations related to postretirement care of certain USNH police personnel, and had no such obligation as of June 30, 2022. 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 34 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, 2022 and 2021 is summarized below (\$ in thousands):

	2021			2022			Balance June 30, 2022	Current Portion
	Balance June 30, 2020	Additions & Other Changes	Retirements	Balance June 30, 2021	Additions & Other Changes	Retirements		
NHHEFA bonds								
Series 2005A	\$ 44,400	\$ –	\$ (2,100)	\$ 42,300	\$ –	\$ (2,000)	\$ 40,300	\$ 2,300
Series 2005B	59,600	–	(4,905)	54,695	–	(5,075)	49,620	5,250
Series 2011A	6,000	–	–	6,000	–	(6,000)	–	–
Series 2011B	28,150	–	(2,210)	25,940	–	(2,310)	23,630	2,425
Series 2012	3,300	–	(3,300)	–	–	–	–	–
Series 2014	11,440	–	(2,200)	9,240	–	(2,240)	7,000	2,285
Series 2015	107,675	–	(2,990)	104,685	–	(3,115)	101,570	3,280
Series 2016	47,310	–	(2,640)	44,670	–	(2,780)	41,890	2,920
Series 2017A	52,045	–	(1,850)	50,195	–	(1,940)	48,255	2,040
Series 2017B	45,970	–	(1,990)	43,980	–	(2,030)	41,950	2,075
Unamortized discounts/premiums, net	26,466	–	(1,915)	24,551	–	(2,285)	22,266	1,878
Financed purchases payable	<u>6,637</u>	<u>–</u>	<u>(1,215)</u>	<u>5,422</u>	<u>–</u>	<u>(1,270)</u>	<u>4,152</u>	<u>1,327</u>
Total bonds and leases	<u>\$438,993</u>	<u>\$ –</u>	<u>\$(27,315)</u>	<u>\$411,678</u>	<u>\$ –</u>	<u>\$(31,045)</u>	<u>\$380,633</u>	<u>\$25,780</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 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, 2022 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 10 below), with all three issues supported by standby bond purchase agreements as of June 30, 2022 and 2021. The variable interest rates for the Series 2005A and 2005B Bonds at June 30, 2022 and 2021 were 0.63% and 0.02%, respectively. The 2011B Bonds variable interest rates at June 30, 2022 and 2021 were 0.60% and 0.01%, 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 2011B	7/1/2033	Variable with daily pricing
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%

Financed purchases

On April 30, 2004, USNH entered into a financed purchase 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 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 \$3,049,000 and \$3,913,000 as of June 30, 2022 and 2021, 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 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, 2022 over the remaining terms of the individual issuances (*\$ in thousands*):

Fiscal Year	Principal	Interest	Total
2023	\$ 23,902	\$ 14,277	\$ 38,179
2024	24,598	13,350	37,948
2025	25,675	12,381	38,056
2026	18,986	11,472	30,458
2027	19,585	10,676	30,261
2028-2032	96,391	42,063	138,454
2033-2037	93,535	21,536	115,071
2038-2042	31,060	8,279	39,339
2043-2047	24,635	2,357	26,992
Plus: unamortized discounts/premiums, net	22,266	—	22,266
Total	\$380,633	\$136,391	\$517,024

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, 2020	2021		Balance June 30, 2021	2022		Balance June 30, 2022	Current Portion
		Additions & Other Changes	Retirements		Additions & Other Changes	Retirements		
Asset retirement and other obligations*	\$10,929	\$11,522	\$ (267)	\$22,184	\$ 974	\$ (8,463)	\$14,695	\$ 8,384
Refundable government advances	13,229	258	(2,772)	10,715	106	(3,147)	7,674	—
Long-term leases - real estate	44,065	—	(1,924)	42,141	—	(1,939)	40,202	2,095
Long-term leases - equipment	776	789	(384)	1,181	—	(660)	521	343
Total other long-term obligations	\$68,999	\$12,569	\$(5,347)	\$76,221	\$1,080	\$(14,209)	\$63,092	\$10,822

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

See Note 9 for additional information on leases.

9. Leases

USNH adopted GASB Statement No. 87, *Leases*, for its June 30, 2022 financial statements. Fiscal year 2021 balances and activities were restated to reflect this adoption. USNH is a lessee for non-cancellable lease of equipment and real estate assets. A lease liability and an intangible right to use asset with initial, individual undiscounted payments over the term of the lease value of \$50,000 or more is recognized. At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The intangible right to use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the intangible right to use asset is amortized on a straight-line basis over its useful life. USNH uses its estimated incremental borrowing rate as the discount rate for leases which was 3.5% as of June 30, 2022 and 2021.

The table below represents the financial adjustment for the July 1, 2020 GASB 87 adoption; rollforward to June 30, 2021 as well as accounts and categories impacted (\$ in thousands):

Statement of Net Position

	Original	Balance as of June 30, 2021 Adjustment	Restated
Lease receivable - current portion	\$ -	\$ 1,167	\$ 1,167
Lease receivable, net of current portion	-	7,406	7,406
Property and equipment, net	1,101,440	42,085	1,143,525
Accounts payable and accrued expenses	(81,510)	(133)	(81,643)
Long-term leases - current portion	-	(2,598)	(2,598)
Long-term leases & SBITAs, net of current portion	-	(40,724)	(40,724)
Deferred inflows	(11,346)	(8,186)	(19,532)
Net position	1,658,624	(983)	1,657,641

Statement of Revenues, Expenses and Changes in Net Position

	Original	For Year Ended June 30, 2021 Adjustment	Restated
Sales of auxiliary services	\$ 162,460	\$ (4)	\$ 162,456
Other operating revenue	26,221	92	26,313
Supplies & services-all other	(156,347)	3,720	(152,627)
Depreciation/amortization	(68,953)	(3,546)	(72,499)
Interest expense, net	(15,432)	(1,543)	(16,975)
Other nonoperating revenue (expense)	1,200	298	1,498
Decrease in net position	(44,412)	(983)	(45,395)

Statement of Cash Flows

	Original	For Year Ended June 30, 2021 Adjustment	Restated
Receipts from sales of auxiliary services	\$ 163,582	\$ (26)	\$ 163,556
Receipts from grants, contracts and other operating revenues	170,209	(273)	169,936
Payments to suppliers and subcontractors	(251,579)	3,720	(247,859)
Other noncapital activity	19,160	298	19,458
Purchases of property, plant, equipment, and construction services	(51,455)	(788)	(52,243)
Proceeds from issuance of debt, sale of property and lease acquisition	2,706	788	3,494
Principal payments	(25,404)	(2,308)	(27,712)
Interest expense	(16,619)	(1,411)	(18,030)
Ending cash & equivalents	85,670	-	85,670

The tables below represent the schedule of maturity for current Lessee and Lessor arrangements as of June 30, 2022 (\$ in thousands):

Lessee Maturity Schedule

Fiscal Year	Principal	Interest	Total
2023	\$ 2,438	\$ 1,399	\$ 3,837
2024	2,362	1,312	3,674
2025	2,021	1,236	3,257
2026	2,111	1,162	3,273
2027	1,973	1,091	3,064
2028-2032	12,368	4,256	16,624
2033-2037	13,960	1,760	15,720
2038-2042	3,472	114	3,586
2043-2045	18	1	19
Total lessee	<u>\$40,723</u>	<u>\$12,331</u>	<u>\$53,054</u>

Lessor Maturity Schedule

Fiscal Year	Principal	Interest	Total
2023	\$1,003	\$ 249	\$ 1,252
2024	277	215	492
2025	270	206	476
2026	291	197	488
2027	313	187	500
2028-2032	1,488	785	2,273
2033-2037	1,239	576	1,815
2038-2042	853	431	1,284
2043-2047	478	254	732
2048-2052	210	194	404
2053-2057	310	148	458
2058-2062	440	83	523
2063-2067	234	11	245
Total lessor	<u>\$7,406</u>	<u>\$3,536</u>	<u>\$10,942</u>

10. Derivative instruments – interest rate swaps

USNH uses hedging derivatives to artificially fix interest rates on variable rate bonds outstanding. The terms and fair value of swap contracts in place as of June 30, 2022 and 2021 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,	
					2022	2021	2022	2021
Series 2005A swap	October 29, 2008	July 1, 2035	3.6%	67% LIBOR	\$ 40,300	\$ 42,300	\$ (4,771)	\$ (9,284)
Series 2005B swap	August 1, 2005	July 1, 2033	3.1%	63% LIBOR+0.29%	49,620	54,695	(3,033)	(7,113)
Series 2011B swap	July 1, 2011	July 1, 2033	4.5%	67% LIBOR	23,630	25,940	(3,301)	(5,883)
				Total	\$113,550	\$122,935	\$ (11,105)	\$ (22,280)

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
		6/30/2022	6/30/2021	6/30/2022	6/30/2021	6/30/2022	6/30/2021	
Series 2005A swap	Aa2/AA-	0.6%	0.0%	0.7%	0.1%	4.0%	4.0%	4.1%
Series 2005B swap	A1/A+	0.6%	0.0%	1.0%	0.4%	3.2%	3.2%	3.5%
Series 2011B swap	A1/BBB+	0.6%	0.0%	0.7%	0.1%	4.9%	4.9%	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, 2022 and 2021 and, therefore, their accumulated changes in fair value are reflected as deferrals on the Statements of Net Position (see Note 11). 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 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, 2022, 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 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, 2022 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
2023	\$ 9,975	\$ (846)	\$ 4,347	\$ 3,501
2024	10,170	(761)	3,921	3,160
2025	10,665	(671)	3,475	2,804
2026	7,250	(611)	3,171	2,560
2027	7,375	(551)	2,862	2,311
2028-2032	41,875	(1,746)	9,168	7,422
2033-2036	<u>26,240</u>	<u>(207)</u>	<u>1,167</u>	<u>960</u>
Total	<u>\$113,550</u>	<u>\$(5,393)</u>	<u>\$28,111</u>	<u>\$22,718</u>

11. Deferred inflows and outflows of resources

The components of Deferred Inflows and Outflows of Resources as of June 30, 2022 and 2021 were as follows (\$ in thousands):

	2022	2021
Deferred outflows of resources		
Accumulated decrease in fair value of hedging derivatives	\$11,105	\$22,280
Accounting loss on debt refinancing	5,523	6,585
Changes of assumptions:		
Operating Staff Retirement Plan	4	29
Postretirement Medical Plan	9,834	11,891
Additional Retirement Contribution Program	57	80
Net difference between projected and actual earnings:		
Operating Staff Retirement Plan	961	124
Difference between expected and actual experience:		
Postretirement Medical Plan	814	616
Benefit payments subsequent to the measurement date:		
Postretirement Medical Plan	4,276	2,965
Additional Retirement Contribution Program	3	675
Asset retirement obligations	<u>1,125</u>	<u>1,218</u>
Total Deferred outflows of resources	<u>\$33,702</u>	<u>\$46,463</u>
Deferred inflows of resources		
Accounting gain on debt refinancing	\$ 50	\$ 100
Annuities unconditional remainder interest	1,655	2,161
Changes of assumptions:		
Operating Staff Retirement Plan	–	15
Postretirement Medical Plan	10,438	6,192
Additional Retirement Contribution Program	15	23
Net difference between projected and actual earnings:		
Operating Staff Retirement Plan	516	697
Difference between expected and actual experience:		
Operating Staff Retirement Plan	67	136
Postretirement Medical Plan	1,437	1,734
Additional Retirement Contribution Program	226	288
Deferred inflows - leases	<u>7,501</u>	<u>8,186</u>
Total Deferred inflows of resources	<u>\$21,905</u>	<u>\$19,532</u>

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. See Note 9 for additional information on leases.

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, 2023. 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 seven years as summarized below (\$ in thousands):

Fiscal Year	Operating Staff Retirement Plan	Additional Retirement Contribution Program	Post-retirement Medical Plan
2023	\$ 25	\$ (69)	\$ 47
2024	83	(58)	47
2025	53	(25)	47
2026	220	(32)	47
2027	–	–	(411)
2028	–	–	(775)
2029	–	–	(229)
Total	<u>\$381</u>	<u>\$(184)</u>	<u>\$(1,227)</u>

12. Pass-through grants

USNH distributed \$141,461,000 and \$146,394,000 of student loans through the US Department of Education Federal Direct Lending program during 2022 and 2021, 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 \$271,000 and \$103,000 as of June 30, 2022 and 2021, respectively, for direct loans disbursed in excess of US Department of Education receipts.

13. 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 4.5% and 4.7% as of December 31, 2020 and 2019, respectively. For the UNHF primary pool, the distribution rate was 5.25% as of December 31, for both 2020 and 2019 respectively 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 2022 and 2021 are summarized below (*\$ in thousands*):

Components of Endowment Payout	2022	2021
Pooled endowment yield - campuses	\$ (290)	\$ 6,488
Pooled endowment yield - affiliates	679	(980)
Trusts, life income and annuities yield, net of gains utilized	972	564
Gains utilized to fund distribution - pooled campuses	25,792	17,516
Gains utilized to fund distribution - pooled affiliates	<u>13,850</u>	<u>14,025</u>
Endowment return used for operations	<u>\$41,003</u>	<u>\$37,613</u>

14. 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	2022 Total
Campuses – current funds						
Instruction	\$180,507	\$ 16,420	\$ 16	\$ –	\$ –	\$ 196,943
Auxiliary services	43,449	41,556	55	58,109	–	143,169
Research and sponsored programs	83,251	81,241	218	–	–	164,710
Academic support	58,711	23,391	2	–	–	82,104
Student services	34,125	46,418	14	(72)	–	80,485
Institutional support	59,462	15,329	86	(21,713)	–	53,164
Operations and maintenance	20,165	35,706	18,255	(36,324)	–	37,802
Fundraising and communications	7,828	6,584	–	6,139	–	20,551
Public service	<u>11,983</u>	<u>2,638</u>	<u>2</u>	<u>–</u>	<u>–</u>	<u>14,623</u>
Subtotal – current funds	499,481	269,283	18,648	6,139	–	793,551
Campuses - other funds	(233)	(532)	–	–	71,648	70,883
Affiliated entities	<u>8,790</u>	<u>1,318</u>	<u>1</u>	<u>(6,139)</u>	<u>–</u>	<u>3,970</u>
Total	<u>\$508,038</u>	<u>\$270,069</u>	<u>\$18,649</u>	<u>\$ –</u>	<u>\$71,648</u>	<u>\$ 868,404</u>

	Compensation	Supplies & Services	Utilities	Internal Allocations	Depreciation/ Amortization	2021 Total
Campuses – current funds						
Instruction	\$218,633	\$ 10,786	\$ (2)	\$ –	\$ –	\$ 229,417
Auxiliary services	44,008	34,426	55	55,893	–	134,382
Research and sponsored programs	83,273	36,915	165	–	–	120,353
Academic support	65,690	20,594	–	–	–	86,284
Student services	38,758	69,167	14	(36)	–	107,903
Institutional support	68,563	9,321	77	(17,988)	–	59,973
Operations and maintenance	28,696	36,129	15,464	(38,077)	–	42,212
Fundraising and communications	9,942	6,250	–	4,307	–	20,499
Public service	<u>13,352</u>	<u>4,298</u>	<u>2</u>	<u>(150)</u>	<u>–</u>	<u>17,502</u>
Subtotal – current funds	570,915	227,886	15,775	3,949	–	818,525
Campuses - other funds	(212)	1,591	–	–	72,499	73,878
Affiliated entities	<u>7,319</u>	<u>847</u>	<u>1</u>	<u>(3,949)</u>	<u>–</u>	<u>4,218</u>
Total	<u>\$578,022</u>	<u>\$230,324</u>	<u>\$15,776</u>	<u>\$ –</u>	<u>\$72,499</u>	<u>\$ 896,621</u>

15. 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, 2022 and 2021 (\$ in thousands):

Components of Net Position	2022	2021
Net investment in capital assets	\$ 723,041	\$ 721,356
Restricted financial resources		
Nonexpendable		
Historic gift value of endowment - campuses	144,896	134,754
Historic gift value of endowment - affiliated entities	<u>183,676</u>	<u>171,812</u>
Total restricted nonexpendable resources	328,572	306,566
Expendable		
Held by campuses:		
Accumulated net gains on endowment	67,601	94,413
Fair value of restricted funds functioning as endowment	16,297	18,014
Gifts, grants and contracts	59,772	32,910
Life income and annuity funds	23	33
Loan funds	1,870	2,425
Held by affiliated entities:		
Accumulated net gains on endowment	49,552	84,055
Fair value of restricted funds functioning as endowment	47,943	56,073
Other	<u>18,942</u>	<u>11,517</u>
Total restricted expendable resources	262,000	299,440
Unrestricted financial resources		
Held by campuses:		
Educational and general reserves	(1,995)	(12,259)
Auxiliary enterprises	103,691	45,528
Internally designated reserves	126,479	22,199
Unrestricted loan funds	1,261	1,401
Unexpended plant funds	46,284	101,614
Fair value of unrestricted funds functioning as endowment	101,861	246,033
Other	1,095	862
Less: postretirement medical liability ⁽¹⁾	<u>(74,811)</u>	<u>(78,490)</u>
Held by affiliated entities:		
Fair value of unrestricted funds functioning as endowment	1,404	1,616
Other	<u>1,907</u>	<u>1,775</u>
Total unrestricted financial resources	<u>307,176</u>	<u>330,279</u>
Total net position	<u>\$1,620,789</u>	<u>\$1,657,641</u>

⁽¹⁾As discussed in Note 7, the 2022 and 2021 postretirement medical liability is shown net of the related deferred inflows and outflows of resources. See Note 11 for additional information in this regard.

16. Commitments and contingencies

USNH expects to continue to incur costs in testing, personal protective equipment, and cleaning related to COVID-19, although at a lesser degree than in prior years. While the significant business disruption brought on by the COVID-19 pandemic seems to be easing with the high rate of vaccination in New Hampshire, there is still 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.

17. Component units

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

Condensed information from the Statements of Net Position as of June 30,	2022	2021
Endowment investments	\$271	\$302
Other assets	<u>22</u>	<u>14</u>
Total assets	<u>293</u>	<u>316</u>
Annuities payable	3	3
Other liabilities and deferred inflows of resources	<u>3</u>	<u>3</u>
Total liabilities and deferred inflows of resources	<u>6</u>	<u>6</u>
Total net position	<u>\$287</u>	<u>\$310</u>
Condensed information from the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30,	2022	2021
Gifts and other support	\$ 39	\$ 32
Investment income	<u>(27)</u>	<u>68</u>
Total revenues	<u>12</u>	<u>100</u>
Distributions to UNH	25	28
Administrative and other expenses	<u>10</u>	<u>8</u>
Total expenses	<u>35</u>	<u>36</u>
Increase/(decrease) in net position	<u>\$ (23)</u>	<u>\$ 64</u>
Condensed information from the Statements of Cash Flows for the years ended June 30,	2022	2021
Receipts from gifts and other sources	\$ 28	\$ 24
Payments to UNH and suppliers	<u>(35)</u>	<u>(37)</u>
Net cash used in operating activities	(7)	(13)
Net cash provided by investing activities	3	7
Net cash provided by noncapital financing activities	<u>11</u>	<u>6</u>
Change in cash and equivalents	<u>\$ 7</u>	<u>\$ -</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.

18. Subsequent events

Management has evaluated the impact of subsequent events through the date that the financial statements were available for issuance October 20, 2022, 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):

	2022	2021	2020	2019	2018
Service costs	\$ 1,132	\$ 1,143	\$ 1,247	\$ 1,359	\$ 1,416
Interest	1,792	2,444	3,339	3,024	3,627
Benefit payments	(5,337)	(4,795)	(5,084)	(6,381)	(6,923)
Differences between expected and actual experience	363	(999)	849	–	(1,511)
Changes in benefit terms	–	(9,533)	(318)	–	–
Changes in assumptions ⁽¹⁾	(6,126)	7,336	7,664	(4,968)	(4,857)
Net change in postretirement medical liability	(8,176)	(4,404)	7,697	(6,966)	(8,248)
Total Postretirement Medical Plan liability - beginning of year	86,037	90,441	82,744	89,710	97,958
Total Postretirement Medical Plan liability - end of year	\$ 77,861	\$ 86,037	\$ 90,441	\$ 82,744	\$ 89,710
Current portion	\$ 7,201	\$ 5,342	\$ 4,412	\$ 5,331	\$ 5,837
Covered payroll	\$289,072	\$303,529	\$298,040	\$290,287	\$290,107
Total liability as a percentage of covered payroll	26.9%	28.3%	30.3%	28.5%	30.9%

Additional Retirement Contribution (ARC) Program

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

	2022	2021	2020	2019	2018	2017
Service costs	\$ 26	\$ 22	\$ 37	\$ 31	\$ 41	\$ 103
Interest	32	52	91	66	88	118
Benefit payments ⁽²⁾	(714)	(343)	(111)	(123)	(95)	(518)
Differences between expected and actual experience	(164)	–	(200)	–	(89)	(328)
Changes in assumptions	3	36	70	(97)	26	(5)
Net change in ARC liability	(817)	(233)	(113)	(123)	(29)	(630)
Total ARC liability at beginning of year	1,825	2,058	2,171	2,294	2,323	2,953
Total ARC liability at end of year	\$ 1,008	\$ 1,825	\$ 2,058	\$ 2,171	\$ 2,294	\$ 2,323
Current portion	\$ 42	\$ 865	\$ 217	\$ 200	\$ 95	\$ 455
Covered payroll	\$12,138	\$12,732	\$22,275	\$24,369	\$26,646	\$29,409
Total liability as a percentage of covered payroll	8.3%	14.3%	9.2%	8.9%	8.6%	7.9%

Operating Staff Retirement Plan

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

	2022	2021	2020	2019	2018	2017 ⁽³⁾
Plan Fiduciary Net Position						
Beginning balance	\$6,549	\$ 5,863	\$ 6,186	\$ 6,376	\$ 6,700	\$ –
Employer contributions	–	–	–	–	–	6,700
Plan administrative costs	–	–	–	(13)	(13)	–
Net investment income	(754)	1,143	173	407	274	–
Benefit payments	(488)	(457)	(496)	(584)	(585)	–
Fiduciary net position	\$5,307	\$ 6,549	\$5,863	\$ 6,186	\$ 6,376	\$ 6,700
Total pension liability at end of year	(4,593)	(4,992)	(5,431)	(5,875)	(5,652)	(5,707)
Net pension asset	\$ 714	\$ 1,557	\$ 432	\$ 311	\$ 724	\$ 993
Plan net position as a percentage of total pension liability	115.5%	131.2%	108.0%	105.3%	112.8%	117.4%
Plan Pension Liability						
Beginning balance	\$ (4,992)	\$ (5,431)	\$ (5,875)	\$ (5,652)	\$ (5,707)	\$ (6,345)
Service costs	(1)	(6)	(7)	(3)	–	(20)
Interest, net of actuarial gain/loss	(79)	(41)	(65)	(290)	(292)	(298)
Benefit payments	488	457	496	584	585	956
Changes in assumptions	(9)	29	20	(514)	(238)	–
Total pension liability at end of year	\$ (4,593)	\$ (4,992)	\$ (5,431)	\$ (5,875)	\$ (5,652)	\$ (5,707)
Covered payroll	\$ 122	\$ 120	\$ 815	\$ 850	\$ 961	\$ 1,007
Net pension asset as a percentage of covered payroll	585.2%	1297.5%	53.0%	36.6%	75.3%	98.6%

See accompanying independent auditor's report.

Notes to Schedules:

⁽¹⁾ Changes in assumptions relate to discount rate changes. The rates were 2.1% for FY22, 2.1% for FY21, 2.7% for FY20, 4.1% for FY19, and 3.4% for FY18 based on a change in the related index. See Note 7 for additional information.

⁽²⁾ Fiscal year 2017 benefit payments included separation costs in larger amounts.

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

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