



UNIVERSITY SYSTEM OF NEW HAMPSHIRE

Independent Auditors' Reports as Required by Title 2 U.S. Code of
Federal Regulations Part 200, *Uniform Administrative Requirements,
Cost Principles, and Audit Requirements for Federal Awards* and
Government Auditing Standards and Related Information

Year ended June 30, 2019

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

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Year ended June 30, 2019

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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:

Report on the Financial Statements

We have audited the accompanying statements of net position 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, 2019 and 2018, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the University System of New Hampshire as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2019 the System adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, and GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to these matters.

Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-11 and the required supplemental information on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

KPMG LLP

October 30, 2019

Management's Discussion and Analysis

June 30, 2019 and 2018 (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, 2019 and 2018. This analysis provides a comparison of significant amounts and measures to prior periods and, where appropriate, presents management's outlook for the future.

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

II. Economic Outlook

As of June 2018, the US Census Bureau projected that through 2030 the number of New Hampshire residents between ages 15 and 19 will drop 6.3% (approximately 5,400 students) from the then-current level of 85,131. The dip would then be partially recovered over the following ten years to approximately 83,300 by 2040. This is one near-term trend impacting enrollment at USNH campuses. However, it is mitigated by other trends including increased demand for fifth year programs culminating in graduate degrees, as well as local industry needs for higher education levels of new hires. At 2.5% as of June 2019, New Hampshire has the fourth lowest unemployment rate in the country behind only Iowa, North Dakota and Vermont. This compares to the national average of 3.7% and is welcome news for our graduates as they transition into the state's workforce. Over the past few years USNH institutions have increased partnerships with the state and businesses to offer and expand programs in areas of expected economic growth including nursing and other health-related programs, as well as robotics and other new technologies. In short, our campuses continue to focus on meeting both local and regional demands for quality education. The remainder of this report describes the results of financial operations for the year ended June 30, 2019 with comparisons to prior years.

III. Financial Highlights

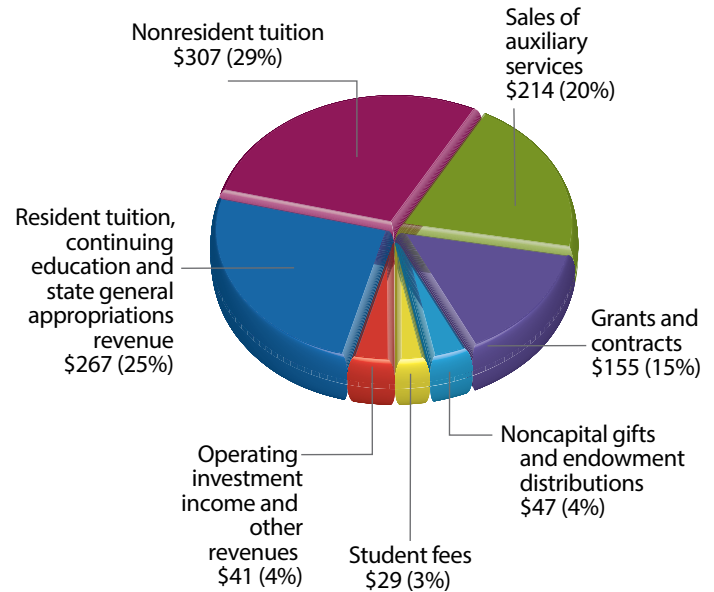
A. Revenues

Chart 1 to the right shows USNH's operating revenue streams including state appropriations, which totaled approximately \$1 billion in both fiscal years 2019 and 2018. Given our tri-fold mission of instruction, research and public service, the vast majority of USNH revenues are generated by the provision of educational and auxiliary services. As shown in Chart 2, institutional financial aid expenditures continue to surpass aid provided by grants and student loans issued.

Chart 1: 2019 Gross Revenues by Source

Total = \$1+ Billion

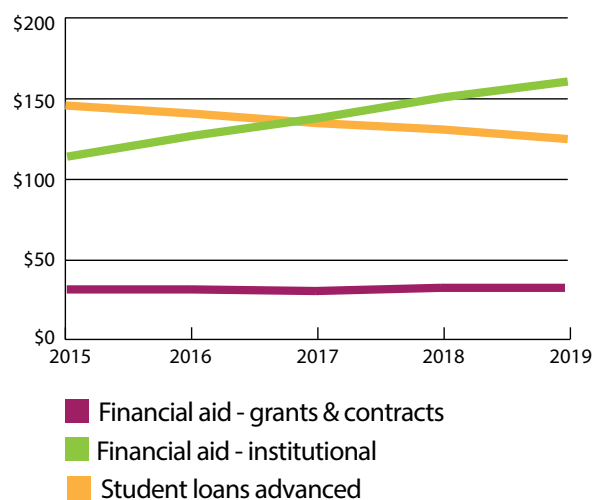
(\$ in millions)



USNH has provided over \$1.5 billion in direct financial aid to students over the past ten years. Approximately \$331 million (22%) of this total was from grants and contracts. Over \$1 billion (71%) came from campus general funds, and the remaining 7% (\$105 million) was provided by gifts and athletics programs. USNH continues to focus on this area with the goal of limiting student and family loan debt for our graduates.

Chart 2: Student Aid Trends

(\$ in millions)



As seen in Table 1 below, enrollment at the flagship campus has remained stable over the past five years at an average of over 15,500 FTE students for all UNH locations combined. UNH's Durham campus had large increases in freshmen applications over the past four years as shown in Table 2. Their enrollment strategy remains focused on attracting exemplary students. Approximately 40% of new UNHD students in the fall of 2018 ranked in the top 20% of their high school class reflecting the continued quality of the population. UNH's new president also published four strategic principles to drive UNH to become one of the top 25 public universities in the US. These include enhancing student success and well-being, expanding excellence, embracing New Hampshire, and building financial strength.

Under the leadership of their new president, KSC began grouping its academic programs into two new schools during 2019. This is expected to result in administrative efficiencies and sharing of resources. Their School of Arts, Education and Culture now houses education, journalism, communications, philosophy, Holocaust studies and several other majors. In addition, the School of Sciences, Sustainability and Health includes architecture, chemistry, political science, nursing, human performance, and environmental studies as well as technology and other related programs.

Table 1: Full-Time Equivalent Credit Enrollment

For the Fall of Each Fiscal Year

	2015	2016	2017	2018	2019
UNH (all campuses)	15,406	15,657	15,473	15,669	15,629
PSU	4,346	4,674	4,641	4,694	4,772
KSC	4,751	4,250	4,160	3,758	3,487
GSC	<u>1,685</u>	<u>1,658</u>	<u>1,584</u>	<u>1,446</u>	<u>1,468</u>
Total USNH FTEs	<u>26,188</u>	<u>26,239</u>	<u>25,858</u>	<u>25,567</u>	<u>25,356</u>
NH Resident	14,308	13,742	13,240	12,940	12,842
Nonresident	<u>11,880</u>	<u>12,497</u>	<u>12,618</u>	<u>12,627</u>	<u>12,514</u>
Total USNH FTEs	<u>26,188</u>	<u>26,239</u>	<u>25,858</u>	<u>25,567</u>	<u>25,356</u>

For 2019 the residential campuses limited tuition increases for NH students to 2.5%, and GSC limited their NH-resident increases to 2.3%. Nonresident tuition revenues increased 2.6% (\$7.7 million) over the prior year. For the past two years approximately 51% of USNH students were NH residents when calculated on a full-time equivalency basis. New England has historically been known as a premier location for the pursuit of higher education, whether at a public or private institution. While that is still true, regional school age populations are expected to decrease over time, resulting in more competition for the smaller number of NH students.

USNH is working to ensure New Hampshire students are prepared to meet the needs of the State's workforce. While financial aid from grants have remained stagnant for the past several years, institutional financial aid grew 6.1% (\$9.4 million) in 2019 after a 10% (\$13.8 million) increase in 2018. USNH has also made significant changes in the way it awards financial aid. During 2018, UNH launched the Granite Guarantee program which covers the cost of tuition for all federal Pell-grant eligible New Hampshire students. The sister USNH residential campuses were quick to follow suit. This program is funded with restricted gifts as well as unrestricted sources. The State is also partnering in this area by renewing its Governor's Scholarship Fund for NH resident students. A review of New Hampshire's school population data by age grouping suggests that our enrollment challenges will increase in future years. Planning for this possibility includes more programs for adult-learners currently in place at all campuses, and future capital project plans now include consideration of these impacts as well.

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

For the Fall of Each Fiscal Year

	2015	2016	2017	2018	2019
Freshmen applications received	18,420	19,255	20,203	19,966	20,096
Acceptances as % of applications	80%	71%	76%	77%	77%
Enrolled as % of acceptances	18%	24%	19%	20%	20%

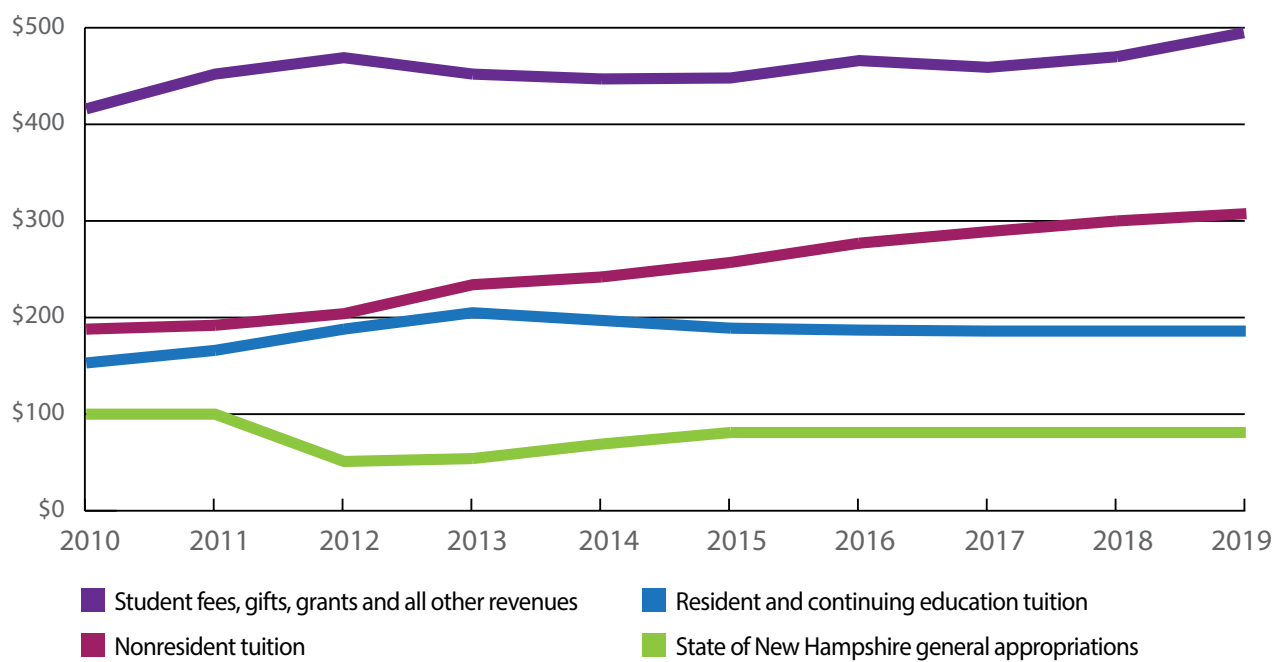
* Comparable data for other campuses is available upon request.

Chart 3 below shows USNH's major revenue stream trends for the past ten years. As seen in the graph, state appropriation revenues were cut by 50% in 2012, which resulted in a significant increase in resident tuition rates for fiscal years 2012 and 2013. USNH then held resident tuition rates flat through 2015 as the appropriation was partially restored. Inflationary increases in the resident tuition rates were added for 2016 through 2019. As evidenced by the financial aid growth shown in Chart 2, USNH is committed to working with the State to ensure that New Hampshire's students have access to a quality education at an affordable price.

Chart 3: Ten Year Revenue History

Before Application of Student Financial Aid

(\$ in millions)



B. Operating and Capital Expenditures

USNH's operating expenses (including interest) decreased \$3.4 million or 0.4% over the 2018 level; and 2018 expenses increased only 1.5% over 2017. There have been significant efforts to organize USNH employee groups over the past few years. USNH now has agreements in place for twelve groups representing 1,378 individuals or approximately 23% of the nonstudent employee population. Nongrant employee compensation costs increased slightly (\$759,000 or 0.2%) for the year. Depreciation charges for buildings and equipment increased by \$160,000 or 0.2%. USNH recorded \$93,000 of amortization expense related to the adoption of GASB 83, *Certain Asset Retirement Obligations*, in 2019. This is offset by nongrant supplies and services and utility cost decreases of nearly \$2 million from the 2018 level.

USNH recently restructured its purchasing activities to have all campus Procurement personnel report centrally. This model of local delivery with central oversight is designed to contain costs by combining our purchasing volumes across the state. As part of this initiative USNH contracted for a system-wide online purchasing system during 2018. This new system is expected to be live in calendar year 2019 and is designed to streamline business processes and provide tools needed for data driven procurement decision making.

Chart 4: Expenses by Functional Classification

(\$ in millions)

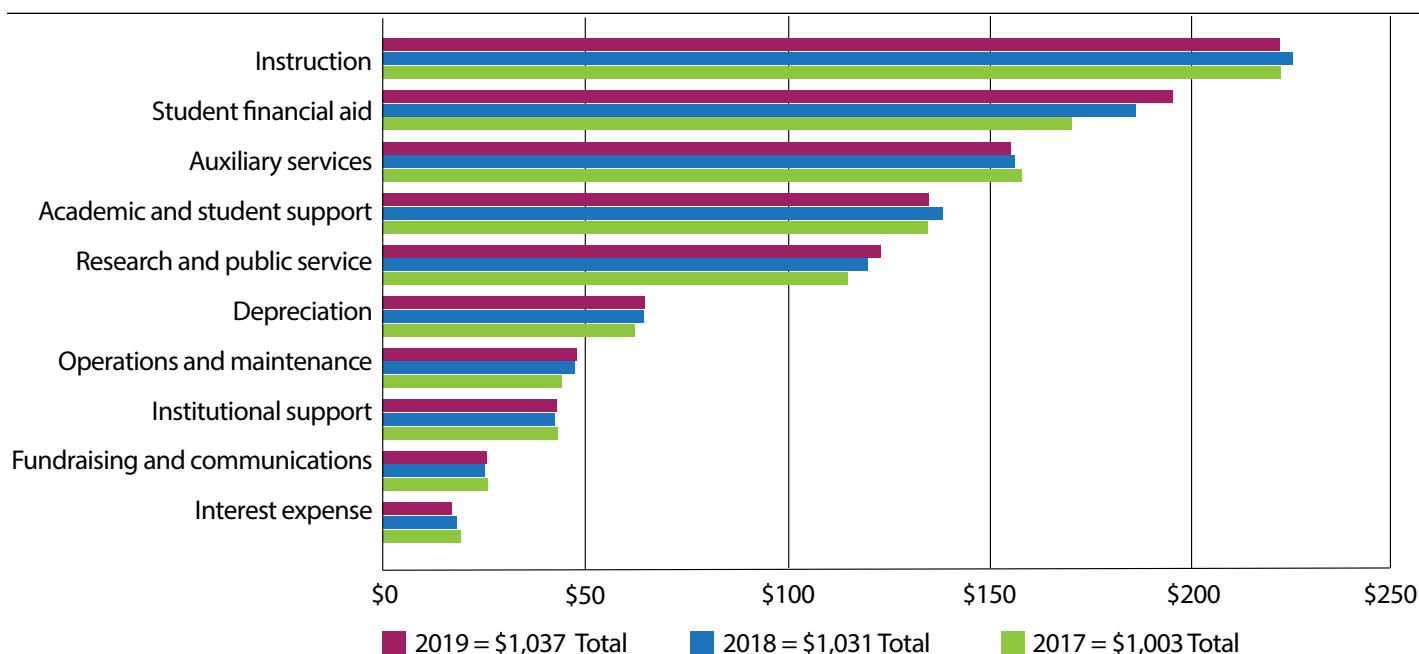


Chart 4 displays USNH's operating expenses for the past three years by functional, rather than natural, classification. The increases in financial aid discussed above are clearly depicted in the graph. That is the only cost category with such significant growth. (Additional detail on operating expenses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

The campuses had several major capital projects underway during 2019. The Geneva Smith Residence Hall (\$8 million) at PSU was completed in 2019. The Health and Human Performance Center (\$10 million) at PSU, KSC's Mason Library expansion for Holocaust study materials funded primarily with gift proceeds (\$5 million), and the new water treatment plant that UNH will share with the town of Durham (\$20 million) are all expected to be completed in fiscal year 2020.

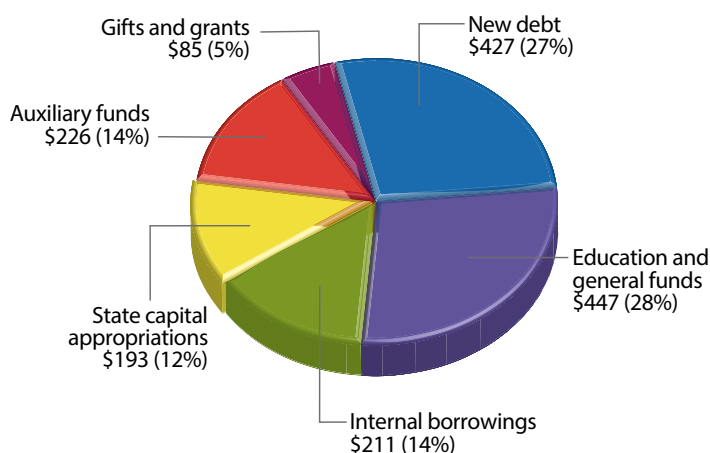
From 2002 to 2013, USNH received significant state capital appropriations to renovate specific academic buildings on each campus. During the past ten years operating and internal funds totaling \$211 million were used to supplement the state appropriations. However, there are still several buildings in need of improvement at each campus. This work is needed to ensure USNH can meet the education and experiential needs of its students. Because state capital funding has been significantly reduced over the past several years, USNH campuses must strategically prioritize the available limited funding for capital assets, while at the same time not allowing deferred maintenance needs to escalate. In addition, USNH is only authorized to issue debt for self-supporting, auxiliary projects. The related debt service is then funded by student fees for each type of auxiliary service (housing, dining or recreation).

Chart 5 below shows the funding sources for USNH's capital spending over the past fifteen years. USNH spent over \$1 billion during this time to construct and renovate buildings and infrastructure at all campuses. One of the largest sources of funding for the related projects was debt issuances of \$427 million. Plant and equipment depreciation expenses of \$763 million were recorded during the same period. (See Notes 5 and 8 to the Financial Statements for additional information on property and equipment, and debt balances.)

Chart 5: Capital Funding Sources, 2005-2019

Total \$1.6 Billion

(\$ in millions)



C. Investing Activities

Cash and short-term investment balances totaled approximately \$224 million on June 30, 2019. This compares to \$206 million on June 30, 2018. (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,		
	2019	2018	2017
USNH Pool	\$542	\$527	\$498
UNHF Pool	236	225	204
KEA Pool	10	9	8
Funds held in trust	16	16	16
Life Income/Annuity Funds	<u>5</u>	<u>4</u>	<u>4</u>
	<u>\$809</u>	<u>\$781</u>	<u>\$730</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 above, the KEA pool net gains over the past three years averaged 11.6% and the USNH and UNHF pools averaged 9.0% and 8.8%, respectively, before distributions. During fiscal year 2019, the Investment Committee of the USNH Board of Trustees voted to change the target asset allocations for investments in the USNH Endowment pool. The changes included increasing the targets for public and private global equities, while also reducing the targeted level of flexible capital investments. These changes will be incorporated over several years to ensure prior fund commitments are met.

Distributions from the endowment and trust funds totaled approximately \$34 million in fiscal year 2019. This compares to \$28 million for fiscal year 2018. The difference is primarily due to USNH beginning to payout on a quasi-endowment created several years ago to support debt service payments made by the campuses. Distributions of approximately \$22 million were made from the USNH pool and trusts, along with \$11 million from the UNHF pool and \$401,000 from the KEA pool. Distributions represent a smaller percentage of the USNH pool because USNH holds

several quasi-endowment funds for future, rather than current, use. Volatility in returns has resulted in a limited number of endowment funds having market values less than the original gift value ("underwater" funds). Recent gains have mitigated this in most cases. Of the 1,504 true endowment funds maintained in the various endowment pools, only 31 remained underwater at June 30, 2019. This compares to 42 underwater true endowment funds at June 30, 2018. The true endowment balances underwater at June 30, 2019 totaled \$710,000, compared to \$440,000 at June 30, 2018. Certain quasi-endowment funds were also underwater in both years as well. (See Notes 4 and 12 for further information on endowment and similar investments.)

Table 4: Pooled Endowment Returns

	Year - Ended June 30,			Three Year
	2019	2018	2017	Average
USNH Pool				
Gross return	6.3%	8.4%	13.4%	9.4%
<i>Investment management fees</i>	<u>(0.5%)</u>	<u>(0.4%)</u>	<u>(0.4%)</u>	<u>(0.4%)</u>
Net return	5.8%	8.0%	13.0%	9.0%
<i>Distributions</i>	<u>(4.1%)</u>	<u>(3.2%)</u>	<u>(3.5%)</u>	<u>(3.6%)</u>
Net reinvested	<u>1.7%</u>	<u>4.8%</u>	<u>9.5%</u>	<u>5.4%</u>
UNHF Pool				
Gross return	5.6%	8.6%	14.1%	9.4%
<i>Investment management fees</i>	<u>(0.6%)</u>	<u>(0.7%)</u>	<u>(0.6%)</u>	<u>(0.6%)</u>
Net return	5.0%	7.9%	13.5%	8.8%
<i>Distributions</i>	<u>(3.8%)</u>	<u>(5.3%)</u>	<u>(5.7%)</u>	<u>(4.9%)</u>
Net reinvested	<u>1.2%</u>	<u>2.6%</u>	<u>7.8%</u>	<u>3.9%</u>
KEA Pool				
Gross return	10.9%	14.7%	11.3%	12.3%
<i>Investment management fees</i>	<u>(0.7%)</u>	<u>(0.7%)</u>	<u>(0.7%)</u>	<u>(0.7%)</u>
Net return	10.2%	14.0%	10.6%	11.6%
<i>Distributions</i>	<u>(4.5%)</u>	<u>(3.7%)</u>	<u>(5.7%)</u>	<u>(4.6%)</u>
Net reinvested	<u>5.7%</u>	<u>10.3%</u>	<u>4.9%</u>	<u>7.0%</u>

IV. Using the Financial Statements

A. Statements of Net Position

The Statements of Net Position on the following two pages depict all USNH assets, liabilities, and deferred inflows/outflows of resources on June 30th 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, 2019 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)

	2015	2016	2017	2018*	2019**
Cash and short-term investments	\$ 237	\$ 228	\$ 213	\$ 206	\$ 224
Endowment and similar investments	679	655	730	781	809
Property and equipment, net	1,010	1,077	1,120	1,122	1,117
Other assets and deferred outflows of resources	<u>168</u>	<u>162</u>	<u>106</u>	<u>95</u>	<u>92</u>
Total Assets and Deferred Outflows of Resources	<u>2,094</u>	<u>2,122</u>	<u>2,169</u>	<u>2,204</u>	<u>2,242</u>
Derivative instruments - interest rate swaps	30	37	26	18	23
Postretirement medical benefits	54	56	56	90	83
Long-term debt	500	519	501	488	465
Other liabilities and deferred inflows of resources	<u>160</u>	<u>169</u>	<u>152</u>	<u>160</u>	<u>173</u>
Total Liabilities and Deferred Inflows of Resources	<u>744</u>	<u>781</u>	<u>735</u>	<u>756</u>	<u>744</u>
Net investment in capital assets	598	630	651	665	685
Restricted financial resources	413	405	454	481	495
Unrestricted financial resources	<u>339</u>	<u>306</u>	<u>329</u>	<u>302</u>	<u>318</u>
Total Net Position	<u>\$1,350</u>	<u>\$1,341</u>	<u>\$1,434</u>	<u>\$1,448</u>	<u>\$1,498</u>

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

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

As shown above, cash and short-term investment balances have been relatively stable over the past five years. In 2017 endowment returns rebounded after net losses in the prior two years. The 2018 and 2019 endowment gifts and gains were more moderate, but increased the restricted net position, as well as the investment asset balances. The other assets balances above include investments of \$69 million, \$57 million, \$11 million and \$4 million, held by our bond trustee related to our Series 2015 and 2016 bond issuances for 2015 through 2018, respectively. As of June 30, 2019, USNH no longer had any debt proceeds held by bond trustees. In 2017, USNH also transferred assets related to our Operating Staff Retirement Program into a trust, and applied the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The actuarial reviews completed for the plan for 2017 and 2018 resulted in the recording of a net pension asset of approximately \$1 million. Accordingly, no related pension liabilities are recorded for the plan beginning in 2017. The net pension assets were significantly reduced in 2019. A balance of approximately \$779,000 remains in other assets for this program as of June 30, 2019.

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

The reduction in other assets and deferred outflows of resources in 2018 is due to a \$7 million reduction in the fair value of interest rate swap obligations, offset by an increase in accounting losses on debt refinancing and postretirement medical plan benefit payments which were made after the actuarial review measurement date in 2018. In 2018, USNH adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for our postretirement medical obligations. The actuarial review completed for the Postretirement Medical Plan at that time resulted in recording deferred inflows and outflows in both fiscal year 2018 and 2019. Additional postretirement medical changes were recorded in 2019.

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

USNH has large liabilities related to long-term debt and postretirement medical benefits. Bond and capital lease principal payments ranged from \$16 million to \$21 million for fiscal years 2017 through 2019. 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.)

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 (\$282 million and \$264 million at June 30, 2019 and 2018, respectively). Unrestricted financial resources represent net assets that are available for any future use without legal restriction. (See Note 14 to the Financial Statements for further details on the components of net position.) A breakdown of asset, liability and net position balances by campus as of June 30, 2019 is shown below.

**Table 5A: Condensed Information from the Statement of Net Position as of June 30, 2019
Presented by Campus**

(\$ in millions)

	University of New Hampshire Campuses & Foundation	Plymouth State University	Keene State College & Endowment Association	Granite State College	Chancellor's Office	Total University System of New Hampshire
Cash and short-term investments	\$ 259	\$ 36	\$ 55	\$22	\$(148)	\$ 224
Endowment and similar investments	409	29	39	8	324	809
Property and equipment, net	744	191	174	7	1	1,117
Other assets and deferred outflows of resources	(24)	(10)	3	(1)	124	92
Total Assets and Deferred Outflows of Resources	<u>1,388</u>	<u>246</u>	<u>271</u>	<u>36</u>	<u>301</u>	<u>2,242</u>
Derivative instruments - interest rate swaps	–	–	–	–	23	23
Postretirement medical benefits	64	11	11	2	(5)	83
Long-term debt	185	99	98	–	83	465
Other liabilities and deferred inflows of resources	88	14	13	2	56	173
Total Liabilities and Deferred Inflows of Resources	<u>337</u>	<u>124</u>	<u>122</u>	<u>4</u>	<u>157</u>	<u>744</u>
Net investment in capital assets	491	79	74	5	36	685
Restricted financial resources	417	27	43	8	–	495
Unrestricted financial resources	143	16	32	19	108	318
Total Net Position	<u>\$1,051</u>	<u>\$122</u>	<u>\$149</u>	<u>\$32</u>	<u>\$144</u>	<u>\$1,498</u>

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

Operating revenues are generally earned through the sale of goods and services. However, GASB reporting standards require that certain USNH recurring revenues be shown as nonoperating. This includes state general appropriations, federal Pell grants, noncapital gifts, operating investment income, and the portion of endowment returns used to fund the related programs. These revenue streams are important sources of funds used to supplement tuition and fees revenue. Accordingly, we have grouped the operating and nonoperating revenues together in the condensed statements to allow readers to better understand which revenues support USNH operating expense streams. Table 6 on the following page shows condensed information from the Statements of Revenues, Expenses and Changes in Net Position for the five years ended June 30, 2019.

The net tuition and fees revenue values in these statements reflects the size and type of student enrollments, as well as student financial needs and academic achievement. Auxiliary services reflect revenues from student housing, dining, and other facility programs. Grants and contracts revenues reflect amounts reimbursed by USNH sponsors including the US government, state of New Hampshire, and other entities. These revenues may also come from awards to other institutions that are later contracted out to USNH campuses. Total operating and nonoperating revenues were up \$14 million in 2019, primarily due to increases in operating investment income and endowment payout. Expenses were down \$3 million in 2019, after an increase of \$12 million in 2018. The increase in net position before other changes reflects USNH's operating margin each year. USNH's operating margin for 2019 was 2.7% of net revenues. This is primarily due to the higher investment income levels noted above.

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

(\$ in millions)

	2015	2016	2017	2018	2019
Tuition and fees	\$472	\$491	\$501	\$514	\$522
Less: student financial aid	(149)	(162)	(172)	(188)	(197)
Net tuition and fees	323	329	329	326	325
Sales of auxiliary services	206	211	216	215	214
Grants and contracts	149	149	146	153	155
State general appropriations	81	81	81	81	81
Noncapital gifts, investment income and other revenues	66	79	71	74	88
Total Operating and Nonoperating Revenues	825	849	843	849	863
Employee compensation	503	529	521	533	534
Supplies and services	203	203	210	208	204
Utilities, depreciation and interest	98	99	100	102	102
Total Operating and Nonoperating Expenses	804	831	831	843	840
Increase in Net Position from Recurring Activities	21	18	12	6	23
Endowment gifts and returns, net	6	(30)	70	45	27
State capital appropriations and other changes	5	3	11	5	2
Total Other Changes in Net Position	11	(27)	81	50	29
Effect of adoption of new accounting standards	—	—	—	(42)	(2)
Total Increase (Decrease) in Net Position	\$ 32	\$ (9)	\$ 93	\$ 14	\$ 50

Endowment gifts totaled \$18 million in 2019, \$16 million in 2018, and \$13 million in 2017. Most of these gifts were due to UNH's recent capital campaign which ended in 2018. The investment return after distributions totaled only \$8.9 million in 2019 after gains of \$29 million in 2018 and \$56 million in 2017. The volatility of endowment returns is a significant driver of the change in total net position each year. Table 6A below provides condensed information from the Statement of Revenues, Expenses and Changes in Net Position presented by campus for the year ended June 30, 2019.

Table 6A: Condensed Information from the Statement of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2019 Presented by Campus

(\$ in millions)

	University of New Hampshire Campuses & Foundation	Plymouth State University	Keene State College & Endowment Association	Granite State College	Chancellor's Office	Total University System of New Hampshire
Tuition and fees	\$370	\$ 75	\$62	\$15	\$ —	\$522
Less: student financial aid	(138)	(30)	(24)	(5)	—	(197)
Net tuition and fees	232	45	38	10	—	325
Sales and auxiliary services	149	32	33	—	—	214
Grants and contracts	132	9	8	6	—	155
State general appropriations	55	12	11	3	—	81
Noncapital gifts, investment income and other revenues	59	6	6	1	16	88
Total Operating and Nonoperating Revenues	627	104	96	20	16	863
Employee compensation	386	60	57	13	18	534
Supplies and services	154	26	25	4	(5)	204
Utilities, depreciation and interest	63	19	17	1	2	102
Total Operating and Nonoperating Expenses	603	105	99	18	15	840
Change in Net Position from Recurring Activities	24	(1)	(3)	2	1	23
Endowment gifts and returns, net	17	2	2	—	6	27
State capital appropriations and other changes*	4	(1)	1	—	(4)	—
Total Other Changes in Net Position	21	1	3	—	2	27
Total Increase in Net Position	\$ 45	\$ —	\$ —	\$ 2	\$ 3	\$ 50

*Reflects adjustments related to adoption of new accounting standards.

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, 2019.

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

(\$ in millions)

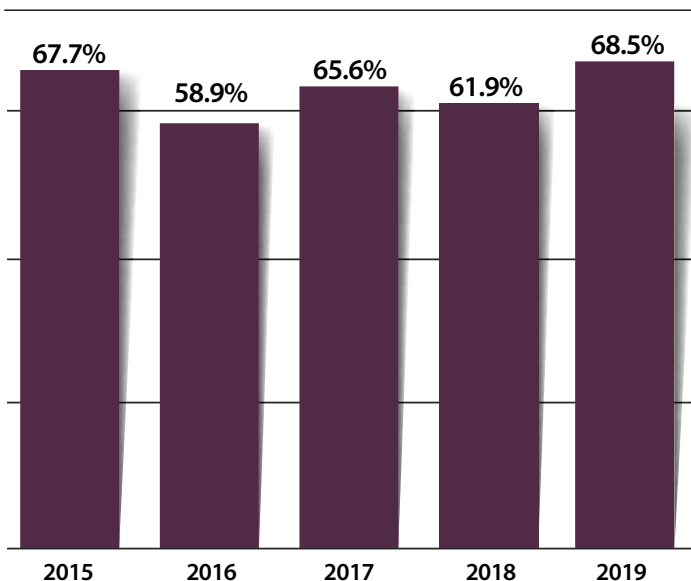
	2015	2016	2017	2018	2019
Cash flows from:					
Receipts from tuition and fees, net	\$ 324	\$331	\$ 332	\$ 328	\$327
Receipts from sales of auxiliary services	206	208	217	214	216
Receipt of state general appropriations	81	81	81	81	81
Noncapital gifts, grants and other receipts	190	193	188	203	198
Payments to and on behalf of employees	(499)	(518)	(543)	(537)	(532)
Payments for supplies, services and utilities	(224)	(222)	(227)	(227)	(222)
Net Cash Provided by Operating and Noncapital Financing Activities	78	73	48	62	68
Net Cash Used in Capital Financing Activities	(5)	(110)	(120)	(83)	(78)
Net Cash (Used in)/Provided by Investing Activities	(73)	26	69	10	30
Increase/(Decrease) in Cash and Cash Equivalents	\$ —	\$ (11)	\$ (3)	\$ (11)	\$ 20

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 the increase in grant revenues during 2018 and 2019. The net cash used in capital financing activities for 2018 and 2019 is lower since most of the 2016 and 2017 investments generated by USNH's recent bond issuances had already been liquidated in prior years. The cash provided by investing activities in 2019 is higher because endowment investment transactions were less volatile than 2018.

D. Financial Indicators

USNH's primary indicator of its financial health is the level of unrestricted financial resources to external debt outstanding. This ratio uses the unrestricted net position balance as the numerator and the total long-term debt balance outstanding as the denominator. USNH's targeted unrestricted financial resources to debt ratio is 50% or above. The average of this ratio over the past five years was 64% reflecting sufficient available support of ongoing initiatives. (See Notes 8 and 14 to the Financial Statements for additional information in this regard).

Chart 6: Unrestricted Financial Resources to Total Debt



University System of New Hampshire

Statements of Net Position

(\$ in thousands)

	Balance at June 30,	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 75,422	\$ 55,128
Short-term investments	148,166	151,150
Accounts receivable, net	22,031	20,628
Pledges receivable - current portion	3,292	3,299
Notes receivable - current portion	2,196	2,711
Prepaid expenses and other current assets	9,230	7,590
Total Current Assets	260,337	240,506
Noncurrent Assets		
Debt proceeds held by bond trustee for construction purposes	–	4,239
Endowment and similar investments - campuses	557,984	543,365
Endowment and similar investments - affiliated entities	251,249	237,917
Pledges receivable, net of current portion	4,810	5,501
Notes receivable, net of current portion	14,293	18,070
Pension assets, net of obligations	311	724
Property and equipment, net of accumulated depreciation	1,117,361	1,122,011
Total Noncurrent Assets	1,946,008	1,931,827
TOTAL ASSETS	2,206,345	2,172,333
DEFERRED OUTFLOWS OF RESOURCES	35,977	31,436
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	65,231	59,924
Deposits and unearned revenues	40,242	39,864
Accrued employee benefits - current portion	6,760	6,917
Postretirement medical benefits - current portion	5,331	5,837
Long-term debt - current portion	26,203	22,968
Total Current Liabilities	143,767	135,510
Noncurrent Liabilities		
Asset retirement and other obligations	5,787	2,000
Refundable government advances	17,513	16,679
Accrued employee benefits, net of current portion	24,702	25,736
Postretirement medical benefits, net of current portion	77,515	83,975
Derivative instruments - interest rate swaps	22,976	18,294
Long-term debt, net of current portion	439,016	465,219
Total Noncurrent Liabilities	587,509	611,903
TOTAL LIABILITIES	731,276	747,413
DEFERRED INFLOWS OF RESOURCES	12,500	8,700
NET POSITION (see Note 14)		
Net investment in capital assets	685,015	665,194
Restricted		
Nonexpendable	281,701	263,969
Expendable	213,337	216,339
Unrestricted	318,493	302,154
TOTAL NET POSITION	\$1,498,546	\$1,447,656

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,	
	2019	2018
OPERATING REVENUES		
Resident tuition	\$ 166,236	\$ 165,325
Nonresident tuition	307,332	299,663
Continuing education tuition	19,574	20,749
Student fees revenue	28,514	28,072
Total tuition and fees	521,656	513,809
Less: student financial aid - grants and contracts	(33,460)	(33,591)
Less: student financial aid - all other	(163,308)	(153,890)
Net tuition and fees	324,888	326,328
Grants and contracts - direct revenues	107,258	105,735
Grants and contracts - facilities & administrative recovery	21,718	21,160
Sales of auxiliary services	214,511	214,784
Other operating revenues	32,266	29,677
TOTAL OPERATING REVENUES	700,641	697,684
OPERATING EXPENSES		
Employee compensation - grants and contracts	62,965	61,714
Employee compensation - all other	471,763	471,004
Supplies and services - grants and contracts	30,010	32,416
Supplies and services - all other	174,369	175,883
Utilities	18,583	19,065
Depreciation and amortization	65,349	65,096
TOTAL OPERATING EXPENSES	823,039	825,178
Operating loss	(122,398)	(127,494)
NONOPERATING REVENUES (EXPENSES)		
State of New Hampshire general appropriations	81,000	81,000
Federal Pell grants	25,968	26,408
Noncapital gifts	13,510	14,101
Endowment and investment income	42,024	29,667
Interest expense, net	(17,154)	(18,440)
Other nonoperating revenue	252	349
TOTAL NONOPERATING REVENUES (EXPENSES)	145,600	133,085
INCREASE IN NET POSITION BEFORE OTHER CHANGES	23,202	5,591
OTHER CHANGES IN NET POSITION		
State of New Hampshire capital appropriations	–	3,000
Plant gifts, grants and other changes, net	2,722	1,862
Endowment and similar gifts	17,793	16,494
Endowment return, net of amount used for operations	8,895	28,985
TOTAL OTHER CHANGES IN NET POSITION	29,410	50,341
INCREASE IN NET POSITION	52,612	55,932
Net Position at Beginning of Year	1,447,656	1,433,516
Effect of adoption of new accounting standards	(1,722)	(41,792)
NET POSITION AT END OF YEAR	\$1,498,546	\$1,447,656

See accompanying notes to the financial statements.

University System of New Hampshire

Statements of Cash Flows

(\$ in thousands)

	For the year ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tuition and fees, net of student financial aid	\$327,183	\$327,532
Receipts from sales of auxiliary services	216,302	214,353
Receipts from grants, contracts and other operating revenues	158,173	160,598
Payments to employees	(391,815)	(404,062)
Payments for employee benefits	(140,449)	(133,283)
Payments for supplies, services and utilities	(222,225)	(226,678)
NET CASH USED IN OPERATING ACTIVITIES	(52,831)	(61,540)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State general appropriations	81,000	81,000
Federal Pell and other nonoperating grants	26,221	26,757
Noncapital gifts	13,300	15,599
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	120,521	123,356
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State appropriations for plant projects	1,237	1,762
Plant gifts and grants	4,774	6,307
Endowment gifts	18,878	17,002
Proceeds from issuance of debt and sale of property	234	109,736
Debt principal payments	(21,057)	(18,632)
Interest payments	(18,419)	(19,994)
Purchases and construction of property	(63,178)	(72,427)
Retirement of debt through defeasance	–	(106,572)
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(77,531)	(82,818)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	481,725	718,539
Purchases of investments	(462,430)	(717,912)
Investment income	10,840	9,434
NET CASH PROVIDED BY INVESTING ACTIVITIES	30,135	10,061
Increase (Decrease) in cash and cash equivalents	\$ 20,294	\$ (10,941)
Beginning cash and cash equivalents	55,128	66,069
ENDING CASH AND CASH EQUIVALENTS	\$ 75,422	\$ 55,128
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$(122,398)	\$(127,494)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	65,349	65,096
Changes in assets and liabilities:		
Accounts receivable, net	(2,641)	2,339
Notes receivable	5,127	642
Prepaid expenses and other current assets	(1,640)	221
Accounts payable and accrued expenses	6,574	3,446
Deposits and unearned revenues	472	2,135
Accrued employee benefits	(3,674)	(7,925)
NET CASH USED IN OPERATING ACTIVITIES	\$(52,831)	\$(61,540)
SIGNIFICANT NONCASH TRANSACTIONS		
Endowment return, net of amount used for operations	\$ 8,895	\$ 28,985
Loss on disposal of capital assets	(1,237)	(4,403)
Construction services payable balance	9,147	10,373

See accompanying notes to the financial statements.



Notes to the Financial Statements

June 30, 2019 and 2018

1. Summary of significant accounting policies and presentation

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

Affiliated entities and related parties

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

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

Basis of accounting

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

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

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

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

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

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

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

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

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

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

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

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

retirement and other separation incentive stipends and benefits promised to certain employees in exchange for termination of employment. All such termination benefits are accrued as of the date the termination agreements are signed and are presented at net present value at year end. Nonoperating revenues (expenses) include all other revenues and expenses except certain changes in long-term plant, endowment and other net position funds, which are reported as other changes in net position. Operating revenues are recognized when earned and expenses are recorded when incurred. Restricted grant revenue is recognized only to the extent of applicable expenses incurred or, in the case of fixed-price contracts, when the contract terms are met or completed.

Unconditional pledges of nonendowment gifts are presented net of estimated amounts deemed uncollectible after discounting to the present value of expected future cash flows. Because of uncertainties regarding their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met. In accordance with GASB requirements, endowment pledges expected to be received over the next ten years, totaling \$11,094,000 and \$8,166,000 at June 30, 2019 and 2018, 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 2019 as presented herein reflect the adoption of GASB Statement No. 83, *Certain Asset Retirement Obligations*, as of July 1, 2018. GASB 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflows of resources related to asset retirement obligations. The Statement requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred. The deferred outflows of resources associated with an asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. As allowed under the standard, fiscal year 2018 balances and activities were not restated to reflect this adoption. USNH's asset retirement obligations are governed

by New Hampshire rules for the control of radiation, disposal of hazardous waste, and underground oil storage. The related activities include disposal of radioactive materials in research laboratories, equipment housed in campus health centers, landfill gas pipelines and underground oil tanks, as well as closure activities required for campus fuel co-generation and water treatment plants. As a result of this adoption, the opening net position as of July 1, 2018 was reduced by \$1,722,000. USNH accrued \$3,306,000 for these obligations as of June 30, 2019. The liability estimate is based on the current cost of expected removal costs. The remaining useful lives of the related assets range from 1 - 41 years. USNH has no funding or assurance requirement related to asset retirement beyond these decommissioning costs. Additional information can be found in Note 10.

The System also adopted GASB Statement No.88 *Certain Disclosures Related to Debt*, including *Direct Borrowings and Direct Placements* in 2019. This Statement improves disclosures by providing distinction between direct borrowings and direct placements of debt. It also clarifies which liabilities should be included when disclosing information related to debt. See Note 8 for the related information.

2. Cash, cash equivalents and short-term investments

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

Cash equivalents represent amounts invested to satisfy current operating liabilities and include repurchase agreements, money market funds and other mutual funds. Repurchase agreements are limited to overnight investments only. Short-term investments are highly liquid amounts held to support specific current liabilities. Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk, and the related mutual funds are not rated. Cash and cash equivalents totaled \$75,422,000 and \$55,128,000 at June 30, 2019 and 2018, respectively, and short-term investments totaled \$148,166,000 and \$151,150,000 at June 30, 2019 and 2018, respectively. See Note 4 for additional information on fair value classifications.

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

	Balances and Terms as of June 30, 2019				Balances and Terms as of June 30, 2018			
	Level 1	Level 2	Total	Weighted Average Maturity	Level 1	Level 2	Total	Weighted Average Maturity
Cash balance	\$ 29,431	\$ –	\$ 29,431	Less than 1 year	\$ 10,654	\$ –	\$ 10,654	Less than 1 year
Repurchase agreements	–	7,625	7,625	Less than 1 year	–	7,018	7,018	Less than 1 year
Money market funds	38,366	–	38,366	Less than 1 year	37,456	–	37,456	Less than 1 year
Subtotal cash and cash equivalents	<u>67,797</u>	<u>7,625</u>	<u>75,422</u>		<u>48,110</u>	<u>7,018</u>	<u>55,128</u>	
Money market funds	34,046	–	34,046	Less than 1 year	30,888	–	30,888	Less than 1 year
Domestic equity	338	–	338	Less than 1 year	298	–	298	Less than 1 year
Mutual funds	86,372	–	86,372	1-5 years	93,928	–	93,928	1-5 years
Corporate bonds	–	14,312	14,312	1-5 years	–	14,254	14,254	1-5 years
US government and agencies	–	11,987	11,987	1-5 years	–	9,972	9,972	1-5 years
Municipal bonds	–	1,085	1,085	1-5 years	–	1,797	1,797	1-5 years
Convertible note	–	26	26	1-5 years	–	13	13	1-5 years
Subtotal short-term investments	<u>120,756</u>	<u>27,410</u>	<u>148,166</u>		<u>125,114</u>	<u>26,036</u>	<u>151,150</u>	
Total cash, cash equivalents and short-term investments	<u>\$188,553</u>	<u>\$35,035</u>	<u>\$223,588</u>		<u>\$ 173,224</u>	<u>\$33,054</u>	<u>\$206,278</u>	

3. Accounts, pledges and notes receivable

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

	2019	2018
Grants and contracts	\$17,185	\$16,296
Student and general	7,751	6,589
State of NH capital projects	–	1,238
Allowance for doubtful accounts	(2,905)	(3,495)
Total accounts receivable, net	<u>\$22,031</u>	<u>\$20,628</u>

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

	2019	2018
Pledges receivable	\$11,223	\$12,119
Discounts and allowance for doubtful pledges	(3,121)	(3,319)
Total pledges receivable, net	8,102	8,800
Less: noncurrent portion	(4,810)	(5,501)
Current portion	<u>\$ 3,292</u>	<u>\$ 3,299</u>

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

	2019	2018
Perkins loans	\$17,157	\$22,134
Other loans, restricted and unrestricted	751	748
Allowance for doubtful loans	(1,419)	(2,101)
Total notes receivable, net	16,489	20,781
Less: noncurrent portion	(14,293)	(18,070)
Current portion	<u>\$ 2,196</u>	<u>\$ 2,711</u>

4. Investments

USNH's investment policy and guidelines specify permitted instruments, duration and required ratings for pooled endowment funds. The policy and guidelines are intended to mitigate risk on investments individually and in the aggregate while maximizing total returns and supporting intergenerational equity of spending levels. Illiquid investments are limited to 20% of the USNH consolidated endowment pool. Credit risk is mitigated by due diligence in the selection and continuing review of investment managers as well as diversification of both investment managers and underlying investments. Except in unusual circumstances, no more than 15% of total portfolio assets may be invested in any one actively managed strategy. If an investment manager is retained to manage more than one strategy, that manager will be limited to 20% of total portfolio assets. Passively managed investment strategies will not be limited within the portfolio; however, any one manager of passive strategies will be limited to 20% of total portfolio assets. Any manager positions exceeding these limits will be reviewed by the Finance Committee for Investments and this committee will decide the appropriate course of action to bring active manager exposures back in line with the concentration limit. Private global equity investments are limited to 20% of the endowment pool. No USNH endowment investments were denominated in foreign currencies as of June 30, 2019 or June 30, 2018.

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, 2019, and 2018, 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, 2019 and 2018, respectively, are summarized below (\$ in thousands):

	Campuses		Affiliated Entities	
	2019	2018	2019	2018
Pooled endowments:				
Campuses	\$541,633	\$527,063	\$ –	\$ –
UNH Foundation	–	–	236,326	224,648
Keene Endowment Association	–	–	9,643	8,869
Life income and annuity funds	86	87	5,280	4,400
Funds held in trust	<u>16,265</u>	<u>16,215</u>	<u>–</u>	<u>–</u>
Total	<u>\$557,984</u>	<u>\$543,365</u>	<u>\$251,249</u>	<u>\$237,917</u>

The majority of USNH's investments are units of institutional commingled funds and limited partnerships invested in equity, fixed income, hedge, natural resources, private equity, or real estate strategies. Hedge strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments which are valued by the investment manager. To the extent quoted prices exist the manager would use those; when these are not available, other methodologies maximizing observable inputs would be used for the valuation, such as discounted cash flow analysis, capitalization of current or stabilized net operating income, replacement costs, or sales contracts and recent sales comparable in the market. Private equity funds employ buyout, growth, venture capital, and distressed security strategies. Real asset funds generally hold interests in private real estate. Fixed income securities had maturities up to 28 years and carried ratings ranging from AAA to Baa2 and AAA to A3 as of June 30, 2019, and 2018, respectively. 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, 2019					Balances as of June 30, 2018				
	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	\$145,635	\$ –	\$ –	\$ 64,745	\$210,380	\$131,372	\$ –	\$ –	\$ 57,801	\$189,173
Global fixed income	18,553	38,740	–	–	57,293	17,554	36,511	–	–	54,065
Hedge funds:										
Distressed/Restructuring	–	–	–	20,273	20,273	–	–	–	15,347	15,347
Equity Hedge	–	–	–	26,138	26,138	–	–	–	48,481	48,481
Event-Driven	–	–	–	39,421	39,421	–	–	–	33,192	33,192
Fund of Funds	–	–	–	36,904	36,904	–	–	–	36,391	36,391
Inflation hedging assets	–	8,602	–	11,117	19,719	–	8,213	–	10,222	18,435
International equity	31,192	–	–	58,046	89,238	31,617	–	–	58,979	90,596
Money market	4,790	–	–	–	4,790	14,671	–	–	–	14,671
Private equity & non-marketable real assets	–	–	–	37,561	37,561	–	–	–	26,799	26,799
Trust funds	–	16,266	–	–	16,266	–	16,215	–	–	16,215
Total endowment and similar investments – campuses	<u>\$200,170</u>	<u>\$63,608</u>	<u>\$ –</u>	<u>\$294,206</u>	<u>\$557,984</u>	<u>\$195,214</u>	<u>\$60,939</u>	<u>\$ –</u>	<u>\$287,212</u>	<u>\$543,365</u>
Endowment and similar investments – affiliated entities										
Domestic equity	\$ 38,803	\$ –	\$ –	\$ 31,491	\$ 70,294	\$ 24,193	\$ –	\$ –	\$33,573	\$57,766
Global fixed income	19,162	2,134	4,176	1,883	27,355	21,359	–	3,107	1,611	26,077
Hedge funds:										
Distressed/Restructuring	–	–	–	32,064	32,064	–	–	–	31,089	31,089
Diversified	–	–	–	241	241	–	–	–	16,437	16,437
Equity Hedge	–	–	–	20,931	20,931	–	–	–	15,029	15,029
Inflation hedging assets	2,664	9,575	–	197	12,436	4,006	9,300	–	453	13,759
International equity	17,336	–	–	41,231	58,567	12,865	–	–	39,699	52,564
Money market	8,083	–	–	–	8,083	9,408	–	–	–	9,408
Private equity & non-marketable real assets	–	–	–	21,278	21,278	–	–	–	15,788	15,788
Total endowment and similar investments – affiliated entities	<u>\$ 86,048</u>	<u>\$ 11,709</u>	<u>\$4,176</u>	<u>\$149,316</u>	<u>\$251,249</u>	<u>\$ 71,831</u>	<u>\$ 9,300</u>	<u>\$3,107</u>	<u>\$153,679</u>	<u>\$237,917</u>
Total endowment and similar investments	<u>\$286,218</u>	<u>\$ 75,317</u>	<u>\$4,176</u>	<u>\$443,522</u>	<u>\$809,233</u>	<u>\$ 242,450</u>	<u>\$70,239</u>	<u>\$3,107</u>	<u>\$440,891</u>	<u>\$781,282</u>

As of June 30, 2019, UNHF had two equity hedge funds with lock-up periods set to expire in nine months. Fixed-income, private equity and real estate funds classified as illiquid have no ability to be redeemed at this time. For USNH, of the 34 funds classified as illiquid, twelve are currently in liquidation; four are expected to start liquidation within the next year; ten are expected to start liquidation in 2 to 15 years, and eight currently have no expected liquidation dates. For UNHF, fourteen funds are classified as illiquid and are expected to be liquidated over the next one to 12 years.

As of June 30, 2019, USNH has two outstanding investment liquidation requests which have been limited by the respective fund managers. Management of the fund in which USNH had the largest of these balances approved a plan on June 30, 2018 that fully liquidated all balances in late fall of 2018 with a small holdback to be distributed by the end of 2019. USNH's balance in that fund was \$7,000 and \$369,000 as of June 30, 2019 and 2018, respectively. USNH's balance in the remaining fund totaled \$71,000 and \$92,000 as of June 30, 2019 and 2018, respectively. Plans have not been communicated for the liquidation of remaining fund. The estimated fair values of the two investments at June 30, 2019 and 2018 are \$78,000 and \$461,000, 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 \$30,957,000 for USNH and \$16,878,000 for UNHF at June 30, 2019. This compares to \$30,277,000 and \$23,878,000, respectively, at June 30, 2018.

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

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

Liquidity Terms as of June 30, 2018								
	Daily	Monthly	Quarterly	Semi-Annual	Annual	illiquid	Total	Redemption Notice Period
Endowment and similar investments – campuses								
Money market	\$ 14,671	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 14,671	Same day
Global fixed income	54,065	–	–	–	–	–	54,065	Same day
Inflation hedging assets	8,213	10,222	–	–	–	–	18,435	1-30 days
International equity	45,296	45,300	–	–	–	–	90,596	1-30 days
Domestic equity	131,372	–	57,801	–	–	–	189,173	1-60 days
Hedge funds:								
Equity Hedge	–	–	23,721	326	24,434	–	48,481	1-60 days
Event-Driven	–	–	18,985	14,146	–	61	33,192	60-65 days, illiquid
Fund of Funds	–	–	–	–	35,930	461	36,391	65-91 days, illiquid
Distressed/Restructuring	–	–	–	–	15,347	–	15,347	90 days
Private equity & non-marketable real assets	–	–	–	–	–	26,799	26,799	illiquid
Funds held in trust	–	–	–	–	–	16,215	16,215	illiquid
Total endowment and similar investments – campuses	<u>\$253,617</u>	<u>\$55,522</u>	<u>\$ 100,507</u>	<u>\$14,472</u>	<u>\$ 75,711</u>	<u>\$43,536</u>	<u>\$543,365</u>	
Endowment and similar investments – affiliated entities								
Money market	\$ 9,408	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 9,408	Same day
Global fixed income	22,971	–	–	–	1,069	2,037	26,077	Same day, illiquid
Inflation hedging assets	13,759	–	–	–	–	–	13,759	1-35 days
Domestic equity	25,407	–	32,359	–	–	–	57,766	1-60 days
International equity	13,782	31,282	7,500	–	–	–	52,564	1-90 days
Hedge funds:								
Diversified	–	–	7,786	3,537	5,114	–	16,437	45-60 days
Distressed/Restructuring	–	–	19,589	–	11,500	–	31,089	45-90 days
Equity Hedge	–	–	9,374	5,655	–	–	15,029	60-90 days
Private equity & non-marketable real assets	–	–	–	–	–	15,788	15,788	illiquid
Total endowment and similar investments - affiliated entities	<u>\$ 85,327</u>	<u>\$31,282</u>	<u>\$ 76,608</u>	<u>\$ 9,192</u>	<u>\$17,683</u>	<u>\$17,825</u>	<u>\$ 237,917</u>	
Total endowment and similar investments	<u>\$338,944</u>	<u>\$86,804</u>	<u>\$177,115</u>	<u>\$23,664</u>	<u>\$93,394</u>	<u>\$ 61,361</u>	<u>\$ 781,282</u>	

5. Property and equipment

Property and equipment activity for the years ended June 30, 2019 and 2018 is summarized as follows (\$ in thousands):

	Balance June 30, 2017	2018		Balance June 30, 2018	2019		Balance June 30, 2019
		Additions	Retirements & Changes		Additions	Retirements & Changes	
Land	\$ 15,865	\$ –	\$ (277)	\$ 15,588	\$ 62	\$ (24)	\$ 15,626
Buildings and improvements	1,680,661	134,977	(14,531)	1,801,107	38,405	(5,239)	1,834,273
Equipment	132,615	11,153	(5,181)	138,587	13,527	(11,303)	140,811
Construction in progress, net	116,833	61,006	(134,977)	42,862	48,425	(38,467)	52,820
Total property and equipment	1,945,974	207,136	(154,966)	1,998,144	100,419	(55,033)	2,043,530
Less: accumulated depreciation	(826,346)	(65,096)	15,309	(876,133)	(65,257)	15,221	(926,169)
Property and equipment, net	\$1,119,628	\$142,040	\$ (139,657)	\$1,122,011	\$ 35,162	\$ (39,812)	\$1,117,361

Contractual obligations for major construction projects totaled approximately \$20,538,000 and \$35,380,000 at June 30, 2019 and 2018, respectively.

6. Accrued employee benefits

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

	Balance June 30, 2017	2018		Balance June 30, 2018	2019		Balance June 30, 2019	Current Portion
		Payments to/ on Behalf of Participants	Expenses & Other Changes		Payments to/ on Behalf of Participants	Expenses & Other Changes		
Additional retirement contribution	\$ 2,323	\$ (121)	\$ 92	\$ 2,294	\$ (200)	\$ 77	\$ 2,171	\$ 200
Employee separation incentives	4,294	(1,660)	535	3,169	(1,661)	759	2,267	1,649
Long-term disability	2,366	(511)	232	2,087	(429)	386	2,044	429
Workers' compensation	4,200	(543)	(366)	3,291	(1,216)	1,148	3,223	1,216
Compensated absences	20,766	(2,095)	2,176	20,847	(2,088)	2,004	20,763	2,408
Other benefits	636	–	329	965	–	29	994	858
Total accrued employee benefits	\$34,585	\$ (4,930)	\$ 2,998	\$32,653	\$ (5,594)	\$ 4,403	\$31,462	\$6,760

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 less 1% of the participant's salary account. There were 307 and 358 active employees meeting the requirements for the guaranteed minimum employer contribution as of June 30, 2019 and 2018, 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, 2017, and were developed using the Entry Age Normal Cost Method. The discount rate used in determining the accrued liabilities was 4.09% and 3.44% for 2019 and 2018, 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 RP-2014 Employee Mortality Table with Scale MP-2016. USNH accrued \$2,171,000 and \$2,294,000 at June 30, 2019 and 2018, respectively, for the related obligations. If the discount rate were to increase by 1%, the total liability at June 30, 2019 would be \$2,097,000. Similarly, if the discount rate

were to decrease by 1%, the total liability at June 30, 2019 would be \$2,244,000. The Additional Retirement Contribution program expense was (\$52,000) and (\$21,000) for fiscal years 2019 and 2018, respectively.

USNH had designated cash assets to fully fund the Additional Retirement Contribution obligations at June 30, 2019 and 2018. 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 \$27,923,000 and \$27,421,000 in 2019 and 2018, respectively. Retirement contributions by plan members totaled \$28,048,000 and \$26,724,000 in 2019 and 2018, respectively.

Early retirement and employee separation incentive programs were provided to various faculty and staff during 2019 and 2018. Such incentives include stipends, as well as medical, educational and other termination benefits. The future costs associated with these incentive options is accrued as of the date of acceptance into the program. The liability balances of \$2,267,000 and \$3,169,000 at June 30, 2019 and 2018 represent obligations for 65 and 117 participants, respectively, which will be remitted in fiscal years 2020 through 2024.

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

USNH is self-insured for a portion of certain risks, including workers' compensation, employee long-term disability, and certain student health insurance claims. Most employee and retiree medical and dental coverage provided by USNH is also self-insured. The costs of self-insured medical and dental claims and administrative fees totaled \$65,632,000 and \$66,507,000 for fiscal year 2019 and 2018, respectively. These amounts include \$4,192,000 and \$8,059,000 for estimated claims incurred but not reported as of June 30, 2019 and 2018, respectively.

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

In addition to the benefits accruals included above, USNH created and fully funded a trust to hold assets set aside for its **Operating Staff Retirement Plan** on June 29, 2017. The related asset and liability values are not included in the financial statements as required by the related accounting standards. The related investment balances as of June 30, 2019 and 2018 are summarized below (*\$ in thousands*):

Trust Investment Components	2019	2018
Cash and equivalents	\$ 274	\$ 311
Fixed income	2,641	2,779
Equities	3,193	3,200
Real assets	78	86
Total including accrued income	<u>\$6,186</u>	<u>\$6,376</u>

The plan has been closed to new participants since 1987. At June 30, 2019 there were approximately 176 current annuitants and 32 participants with deferred benefits, all fully vested. This compares to 184 current annuitants and 32 participants with deferred benefits as of June 30, 2018. The determination of total pension liabilities for this program was based on actuarial calculations completed by the plan trustee as of June 30, 2019 and 2018. The calculations were developed using the Entry Age Normal Cost Method and the RP-2014 employee mortality tables. The 2019 valuation used Scale MP-2018, and Scale MP-2017 was used for the 2018 calculation. 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 \$6,186,000 as of June 30, 2019 and \$6,376,000 as of June 30, 2018 which resulted in the recording of a net pension asset of \$311,000 and \$724,000 for fiscal years 2019 and 2018, respectively. The actuarially determined liability for the program was \$5,875,000 as of June 30, 2019 and \$5,652,000 as of June 30, 2018. If the discount rate were to increase by 1%, the net pension asset at June 30, 2019 would be \$729,000. Similarly, if the discount rate were to decrease by 1%, the net pension liability at June 30, 2019 would be \$169,000. The plan expense was \$193,000 and \$37,000 for fiscal years 2019 and 2018, 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, 2018 and 2017, respectively, there were 946 and 777 former employees receiving benefits under this program along with their eligible dependents. As of December 31, 2018 and 2017, there were 155 and 179 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, 2018 and 2017, respectively, there were 128 and 97 retirees receiving benefits under this program along with their dependents. As of December 31, 2018 and 2017, respectively, there were also 3,570 and 3,638 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 a 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.

USNH adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for its June 30, 2018 financial statements. The components of postretirement medical liability as of June 30, 2019 and 2018 were as follows (*\$ in thousands*):

Postretirement Medical Plan Liability	2019	2018
Service costs	\$ 1,359	\$ 1,416
Interest	3,024	3,627
Benefit payments	(6,381)	(6,923)
Difference between expected and actual experience	—	(1,511)
Changes in assumptions	<u>(4,968)</u>	<u>(4,857)</u>
Net change	(6,966)	(8,248)
Liability at beginning of year	<u>89,710</u>	<u>97,958</u>
Liability at end of year	<u>\$82,744</u>	<u>\$89,710</u>
Current portion	<u>\$ 5,331</u>	<u>\$ 5,837</u>

The total postretirement benefit obligation is measured at December 31, 2017 for the June 30, 2018 financial statements and December 31, 2018 for the June 30, 2019 financial statements based on the last biennial actuarial valuation, December 31, 2017, developed using the Entry Age Normal Cost Method and the RP-2014 employee mortality tables with Scale MP-2016. A rollforward calculation was performed for the December 31, 2018 measurement date. For measurement purposes the 2019 and 2018 initial rate of increase in the cost of healthcare services was assumed to be 6.5% for participants, decreasing 0.5% each year for four years thereafter until reaching an ultimate rate of 4.5% per year. The initial increase in the cost of prescriptions was assumed to be 9.5% for 2019 and 2018, decreasing 0.5% each year for ten years thereafter until reaching an ultimate rate of 4.5% per year. Salary increases of 3% were included in the calculations for fiscal year 2019 and 2018. A single discount rate of 4.10% and 3.44% was used based on the Bond Buyer 20-Bond General Obligation index rate as of December 31, 2018 and 2017, respectively. The actuarially determined postretirement medical expense for the plan for the years ended June 30, 2019 and 2018 were \$3,183,000 and \$4,369,000, 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, 2018	Sensitivity to change in discount rate			Sensitivity to change in health care costs		
	1% increase	Current rate	1% decrease	1% increase	Current rate	1% decrease
OPEB Liability as of December 31, 2018	\$76,074	\$82,744	\$90,470	\$90,895	\$82,744	\$75,736
OPEB Liability as of December 31, 2017	\$82,053	\$89,710	\$98,649	\$98,193	\$89,710	\$82,302

USNH also accrued \$102,000 as of June 30, 2019 and 2018, for potential obligations related to postretirement care of certain USNH police personnel. The USNH Board of Trustees holds the authority to change these benefit plans at any time. Further information on the Additional Retirement Contribution, Operating Staff Retirement Plan, and Postretirement Medical Plan can be found in the Required Supplemental Information on page 50 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, 2019 and 2018 is summarized below (\$ in thousands):

	2018			2019			Balance June 30, 2019	Current Portion
	Balance June 30, 2017	Additions & Other Changes	Retirements	Balance June 30, 2018	Additions & Other Changes	Retirements		
NHHEFA bonds								
Series 2005A	\$ 50,100	\$ —	\$ (1,900)	\$ 48,200	\$ —	\$ (1,950)	\$ 46,250	\$ 1,850
Series 2005B	73,405	—	(4,450)	68,955	—	(4,595)	64,360	4,760
Series 2007	46,570	—	(46,570)	—	—	—	—	—
Series 2009A	59,045	—	(59,045)	—	—	—	—	—
Series 2011A	6,000	—	—	6,000	—	—	6,000	—
Series 2011B	34,200	—	(1,925)	32,275	—	(2,015)	30,260	2,110
Series 2012	12,450	—	(2,930)	9,520	—	(3,050)	6,470	3,170
Series 2014	17,775	—	(2,070)	15,705	—	(2,110)	13,595	2,155
Series 2015	115,870	—	(2,610)	113,260	—	(2,730)	110,530	2,855
Series 2016	53,890	—	(1,675)	52,215	—	(2,390)	49,825	2,515
Series 2017A	—	53,805	—	53,805	—	—	53,805	1,760
Series 2017B	—	49,020	—	49,020	—	(1,100)	47,920	1,950
Unamortized discounts/premiums, net	22,250	10,085	(2,016)	30,319	—	(1,915)	28,404	1,915
Capital leases	9,910	71	(1,068)	8,913	—	(1,113)	7,800	1,163
Total bonds and leases	<u>\$501,465</u>	<u>\$112,981</u>	<u>\$(126,259)</u>	<u>\$488,187</u>	<u>\$ —</u>	<u>\$ (22,968)</u>	<u>\$465,219</u>	<u>\$26,203</u>

New Hampshire Health and Education Facilities Authority (NHHEFA) Bonds

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

USNH's bond portfolio at June 30, 2019 consisted of fixed rate and variable rate issues. The variable rate demand bonds (Series 2005A, 2005B, 2011B) are fully hedged via interest rate swap agreements (see Note 9 below), with all three issues supported by standby bond purchase agreements as of June 30, 2019 and 2018. The variable interest rates for the Series 2005A and 2005B Bonds at June 30, 2019 and 2018 were 1.95% and 1.56%, respectively. The 2011B Bonds variable interest rates at June 30, 2019 and 2018 were 1.97% and 1.57%, respectively.

USNH issued two Series 2017 Bonds during the year ended June 30, 2018. The Series 2017A Bonds were issued in the amount of \$53,805,000 to advance refund and defease the Series 2009A Bonds (\$59,045,000), while the Series 2017B Bonds were issued in the amount of \$49,020,000 as a current refund of the Series 2007 Bonds (\$46,570,000). Construction proceeds of \$4,239,000 were unspent as of June 30, 2018 and held in reserve in accordance with the related debt agreements. The related investments were classified in Level 1 of the GASB fair value hierarchy because the underlying securities held by the bond trustee are valued based on quoted market prices. The Series 2009A advance refunding proceeds of \$60,067,000 and \$62,019,000 were held in escrow in the principal payment investment account on June 30, 2019 and 2018, respectively.

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

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

Capital leases

On April 30, 2004, USNH entered into a capital lease agreement in the amount of \$18,292,000 to finance a portion of the costs of equipment housed in UNH's utility cogeneration facility. The related lease payments are due quarterly through June 2025, including principal as well as interest at a fixed rate of 4.5%. The carrying value of the related assets was \$5,641,000 and \$6,505,000 as of June 30, 2019 and 2018, 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, 2019 over the remaining terms of the individual issuances (*\$ in thousands*):

Fiscal Year	Principal	Interest	Total
2020	\$ 24,288	\$ 17,763	\$ 42,051
2021	25,400	16,840	42,240
2022	28,760	15,873	44,633
2023	23,902	14,708	38,610
2024	24,598	13,786	38,384
2025-2029	100,537	55,646	156,183
2030-2034	104,420	36,057	140,477
2035-2039	65,560	15,988	81,548
2040-2044	25,670	6,501	32,171
2045-2047	13,680	973	14,653
Plus: unamortized discounts/premiums, net	28,404	—	28,404
Total	\$465,219	\$194,135	\$659,354

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, 2017	2018		Balance June 30, 2018	2019		Balance June 30, 2019	Current Portion
		Additions & Other Changes	Retirements		Additions & Other Changes	Retirements		
Asset retirement and other obligations*	\$ 2,417	\$209	\$(316)	\$ 2,310	\$ 4,121	\$(331)	\$ 6,100	\$ 313
Refundable government advances	16,643	503	(467)	16,679	834	—	17,513	—
Total other long-term obligations	\$19,060	\$712	\$(783)	\$18,989	\$4,955	\$(331)	\$23,613	\$313

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

9. Derivative instruments – interest rate swaps

USNH uses hedging derivatives to artificially fix interest rates on variable rate bonds outstanding. The terms and fair market value of swap contracts in place as of June 30, 2019 and 2018 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,	
					2019	2018	2019	2018
Series 2005A swap	October 29, 2008	July 1, 2035	3.6%	67% LIBOR	\$ 46,250	\$ 48,200	\$ (9,185)	\$ (7,165)
Series 2005B swap	August 1, 2005	July 1, 2033	3.1%	63% LIBOR+0.29%	64,360	68,955	(7,263)	(5,357)
Series 2011B swap	July 1, 2011	July 1, 2033	4.5%	67% LIBOR	30,260	32,275	(6,528)	(5,772)
Total					\$140,870	\$149,430	\$ (22,976)	\$ (18,294)

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
		6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	
Series 2005A swap	Aa2/AA-	1.9%	1.6%	1.6%	1.3%	4.4%	4.3%	4.1%
Series 2005B swap	A1/A+	1.9%	1.6%	1.8%	1.5%	3.7%	3.6%	3.7%
Series 2011B swap	A3/BBB+	2.0%	1.6%	1.6%	1.3%	5.3%	5.2%	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, 2019 and 2018 and, therefore, their accumulated changes in fair value are reflected as deferrals on the Statements of Net Position (see Note 10). The notional amount of each swap is tied to the outstanding balance of the related bonds throughout the life of the swap. Under the terms of each swap, USNH makes fixed rate interest payments to the counterparty and receives a variable rate payment from the counterparty. USNH makes variable rate payments to bondholders on the related bonds. None of the derivatives require collateralization by USNH at any level of negative fair market value.

Risk Disclosure

Counterparty Risk – This is the risk that the counterparty will fail to perform under the terms of the swap agreement. As of June 30, 2019, USNH was exposed to no counterparty credit risk relative to its swaps as all swap market values were negative. The swaps require collateralization of any positive fair value of the swap should the counterparty's credit rating fall below thresholds identified in the swap contracts. USNH mitigates counterparty risk by spreading the swap exposure among various counterparties, by monitoring bond ratings continuously, and by requiring collateralization in certain circumstances.

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

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

Swap Cash Flows

Actual interest payments on the swaps vary as market rates vary. The table below shows estimated annual future cash flows of the derivative instruments if interest rates remain unchanged from June 30, 2019 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
2020	\$ 8,720	\$ (2,273)	\$ 4,718	\$ 2,445
2021	9,215	(2,113)	4,390	2,277
2022	9,385	(1,950)	4,056	2,106
2023	9,975	(1,777)	3,701	1,924
2024	10,170	(1,600)	3,339	1,739
2025-2029	41,110	(5,791)	12,125	6,334
2030-2034	45,145	(2,191)	4,638	2,447
2035-2036	7,150	(59)	131	72
Total	\$140,870	\$(17,754)	\$37,098	\$19,344

10. Deferred inflows and outflows of resources

The components of Deferred Inflows and Outflows of Resources as of June 30, 2019 and 2018 were as follows (\$ in thousands):

	2019	2018
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	\$22,976	\$18,294
Accounting loss on debt refinancing	8,708	9,770
Changes of assumptions:		
Operating Staff Retirement Plan	471	179
Additional Retirement Contribution Program	18	22
Net difference between projected and actual earnings:		
Operating Staff Retirement Plan	60	74
Benefit payments subsequent to the measurement date:		
Postretirement Medical Plan	2,053	3,097
Additional Retirement Contribution Program	199	—
Asset retirement obligations	1,492	—
Total Deferred Outflows of Resources	\$35,977	\$31,436
Deferred Inflows of Resources		
Accounting gain on debt refinancing	\$ 357	\$ 616
Annuities unconditional remainder interest	2,139	1,753
Changes of assumptions:		
Operating Staff Retirement Plan	58	—
Postretirement Medical Plan	8,271	4,343
Additional Retirement Contribution Program	4	4
Difference between expected and actual experience:		
Operating Staff Retirement Plan	6	4
Postretirement Medical Plan	1,191	1,351
Additional Retirement Contribution Program	474	629
Total Deferred Inflows of Resources	\$12,500	\$ 8,700

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

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

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

Fiscal Year	Operating Staff Retirement Plan	Additional Retirement Contribution Program	Post-retirement Medical Plan
2020	\$217	\$ (150)	\$(1,200)
2021	217	(150)	(1,200)
2022	28	(150)	(1,200)
2023	(1)	(10)	(1,200)
2024	6	—	(1,200)
2025	—	—	(1,200)
2026	—	—	(1,200)
2027	—	—	(1,062)
Total	\$467	\$ (460)	\$(9,462)

11. Pass-through grants

USNH distributed \$169,091,000 and \$173,918,000 of student loans through the US Department of Education Federal Direct Lending program during 2019 and 2018, 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 \$141,000 and \$260,000 as of June 30, 2019 and 2018, respectively, for direct loans disbursed in excess of US Department of Education receipts.

12. Endowment return used for operations

The objective of the annual spending formula for endowment return used for operations is to provide sustainable continued future support for ongoing programs at current levels assuming moderate inflation. To the extent that endowment yield is insufficient in any one year to meet the required spending distribution, accumulated net gains are utilized to fund the distribution. For the USNH pool, the distribution rate is established annually by the USNH Board of Trustees. Starting in fiscal year 2019, the USNH pool calculated the distribution as a percentage of the average market value per unit for the previous twelve quarters with a rate of 4.7% as of December 31, 2017. The rate was 4.7% for 2018 calculated as a percentage of the pool market value per unit as of December 31, 2016. For the UNHF primary pool, the distribution rate was 5.3% and 5.2% for 2019 and 2018, 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 2019 and 2018 are summarized below (\$ in thousands):

Components of Endowment Payout	2019	2018
Pooled endowment yield - campuses	\$ 7,412	\$ 6,598
Pooled endowment yield - affiliates	2,492	1,861
Trusts, life income and annuities yield, net of gains utilized	643	1,148
Gains utilized to fund distribution - pooled campuses	14,094	9,070
Gains utilized to fund distribution - pooled affiliates	9,138	9,315
Endowment return used for operations	\$33,779	\$27,992

The increase in gains utilized to fund distributions in 2019 relates to fringe benefits and debt service costs funded by USNH quasi-endowments. No distributions from these funds were made in prior years.

13. Operating expenses by function

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

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

	Compensation	Supplies & Services	Utilities	Internal Allocations	Depreciation	2018 Total
Campuses – current funds						
Instruction	\$201,510	\$ 22,229	\$ 17	\$ –	\$ –	\$223,756
Auxiliary services	53,940	53,695	3,406	45,921	–	156,962
Research and sponsored programs	74,705	35,432	18	–	–	110,155
Academic support	69,334	21,075	40	245	–	90,694
Student services	34,337	14,634	10	(95)	–	48,886
Institutional support	47,826	17,221	76	(22,217)	–	42,906
Operations and maintenance	23,175	16,602	15,482	(24,148)	–	31,111
Fundraising and communications	12,285	6,925	–	2,257	–	21,467
Public service	10,430	3,125	–	–	–	13,555
Subtotal – current funds	527,542	190,938	19,049	1,963	–	739,492
Campuses - other funds	155	16,494	16	–	65,096	81,761
Affiliated entities	5,021	867	–	(1,963)	–	3,925
Total	<u>\$532,718</u>	<u>\$208,299</u>	<u>\$19,065</u>	<u>\$ –</u>	<u>\$65,096</u>	<u>\$825,178</u>

14. Net position

It is USNH's policy to use restricted funds before accessing unrestricted balances. The table below details USNH's net position as of June 30, 2019 and 2018 (\$ in thousands):

Components of Net Position	2019	2018
Net investment in capital assets	\$ 685,015	\$ 665,194
Restricted financial resources		
Nonexpendable		
Historic gift value of endowment - campuses	124,287	118,298
Historic gift value of endowment - affiliated entities	157,414	145,671
Total restricted nonexpendable resources	281,701	263,969
Expendable		
Held by campuses:		
Accumulated net gains on endowment	56,559	54,375
Fair value of restricted funds functioning as endowment	15,032	14,761
Gifts, grants and contracts	41,443	44,467
Life income and annuity funds	15	12
Loan funds	3,585	5,158
Held by affiliated entities:		
Accumulated net gains on endowment	43,192	42,424
Fair value of restricted funds functioning as endowment	44,054	44,108
Other	9,457	11,034
Total restricted expendable resources	213,337	216,339
Unrestricted financial resources		
Held by campuses:		
Educational and general reserves	6,521	20,998
Auxiliary enterprises	45,721	42,838
Internally designated reserves	20,879	13,003
Unrestricted loan funds	1,487	1,513
Unexpended plant funds	144,841	127,776
Fair value of unrestricted funds functioning as endowment	185,442	184,148
Other	779	971
Less: postretirement medical liability ⁽¹⁾	(90,153)	(92,307)
Held by affiliated entities:		
Fair value of unrestricted funds functioning as endowment	1,308	1,314
Other	1,668	1,900
Total unrestricted financial resources	318,493	302,154
Total Net Position	<u>\$1,498,546</u>	<u>\$1,447,656</u>

⁽¹⁾ As discussed in Note 7, the 2019 and 2018 postretirement medical liability is shown net of the related deferred inflows and outflows of resources. See Note 10 for additional information in this regard.

15. Commitments and contingencies

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

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

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

16. Component units

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

	2019	2018
Condensed information from the Statements of Net Position as of June 30,		
Endowment investments	\$241	\$229
Other assets	14	14
Total Assets	<u>255</u>	<u>243</u>
Annuities payable	3	2
Other liabilities and deferred inflows of resources	5	3
Total Liabilities and Deferred Inflows of Resources	<u>8</u>	<u>5</u>
Total Net Position	<u>\$247</u>	<u>\$238</u>
	2019	2018
Condensed information from the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30,		
Gifts and other support	\$ 29	\$ 35
Investment income	11	16
Total Revenues	<u>40</u>	<u>51</u>
Distributions to UNH	23	25
Administrative and other expenses	8	7
Total Expenses	<u>31</u>	<u>32</u>
Increase in Net Position	<u>\$ 9</u>	<u>\$ 19</u>
	2019	2018
Condensed information from the Statements of Cash Flows for the years ended June 30,		
Receipts from gifts and other sources	\$ 19	\$ 21
Payments to UNH and suppliers	(29)	(34)
Net Cash Used in Operating Activities	(10)	(13)
Net Cash Used in Investing Activities	(1)	(4)
Net Cash Provided by Noncapital Financing Activities	<u>12</u>	<u>15</u>
Change in Cash and Equivalents	<u>\$ 1</u>	<u>\$ (2)</u>

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

17. Subsequent events

Management has evaluated the impact of subsequent events through the date that the financial statements were available for issuance October 30, 2019, 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):

	2019	2018
Service costs	\$ 1,359	\$ 1,416
Interest	3,024	3,627
Benefit payments	(6,381)	(6,923)
Differences between expected and actual experience	—	(1,511)
Changes in assumptions ⁽¹⁾	(4,968)	(4,857)
Net Change in Postretirement Medical Liability	(6,966)	(8,248)
Total Postretirement Medical Plan Liability—beginning of year	89,710	97,958
Total Postretirement Medical Plan Liability—end of year	<u>\$ 82,744</u>	<u>\$ 89,710</u>
Current portion	<u>\$ 5,331</u>	<u>\$ 5,837</u>
Covered payroll	<u>\$290,287</u>	<u>\$290,107</u>
Total Liability as a Percentage of Covered Payroll	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):

	2019	2018	2017
Service costs	\$ 31	\$ 41	\$ 103
Interest	66	88	118
Benefit payments ⁽²⁾	(123)	(95)	(518)
Differences between expected and actual experience	—	(89)	(328)
Changes in assumptions	(97)	26	(5)
Net Change in ARC Liability	(123)	(29)	(630)
Total ARC Liability at beginning of year	2,294	2,323	2,953
Total ARC Liability at end of year	<u>\$ 2,171</u>	<u>\$ 2,294</u>	<u>\$ 2,323</u>
Current portion	<u>\$ 200</u>	<u>\$ 95</u>	<u>\$ 455</u>
Covered payroll	<u>\$ 24,369</u>	<u>\$26,646</u>	<u>\$29,409</u>
Total Liability as a Percentage of Covered Payroll	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):

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

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

Notes to Schedules:

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

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

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

See accompanying independent auditor's report

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
Research and Development Cluster						
	Department of Agriculture	Direct	10.unknown	Other Department of Agriculture Programs	\$ —	386,987
		Direct	10.001	Agricultural Research Basic and Applied Research	—	35,035
		Direct	10.025	Plant and Animal Disease, Pest Control, and Animal Care	—	156,715
		Direct	10.028	Wildlife Services	—	5,407
		05181626	10.170	Specialty Crop Block Grant Program – Farm Bill	—	7,452
	Cornell University	77454-10828	10.200	Grants for Agricultural Research, Special Research Grants	—	1,983
	University of Maryland	41948-Z5659006	10.200	Grants for Agricultural Research, Special Research Grants	—	2,445
	University of Maryland	56119Z5023206	10.200	Grants for Agricultural Research, Special Research Grants	—	10,201
	University of Maryland	68457Z5111201	10.200	Grants for Agricultural Research, Special Research Grants	—	3,102
	University of Maryland	68739Z5111202	10.200	Grants for Agricultural Research, Special Research Grants	—	33,801
				Total Grants for Agricultural Research, Special Research Grants	—	51,532
		Direct	10.202	Cooperative Forestry Research	—	128,565
		Direct	10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	—	455,778
		Direct	10.206	Grants for Agricultural Research_Competitive Research Grants	—	1,276,439
		Direct	10.207	Animal Health and Disease Research	—	6,939
	Applied GeoSolutions LLC	20163361025687UNH	10.212	Small Business Innovation Research	—	775
	University of Maine	UMS1146	10.215	Sustainable Agriculture Research and Education	—	8,570
	University of Massachusetts	18010456A00	10.215	Sustainable Agriculture Research and Education	—	6,639
	University of Vermont	GNE1715331064	10.215	Sustainable Agriculture Research and Education	—	12,219
	University of Vermont	GNE1816932231	10.215	Sustainable Agriculture Research and Education	—	12,237
	University of Vermont	SNE170831064	10.215	Sustainable Agriculture Research and Education	—	15,412
	University of Vermont	SNE180833243	10.215	Sustainable Agriculture Research and Education	—	20,901
	University of Vermont	GNE1818232231	10.215	Sustainable Agriculture Research and Education	—	3,889
	University of Vermont	LNE1534329994	10.215	Sustainable Agriculture Research and Education	6,861	33,833
	University of Vermont	LNE1534429994	10.215	Sustainable Agriculture Research and Education	—	70,382
	University of Vermont	LNE16-346-31064	10.215	Sustainable Agriculture Research and Education	496	26,785
	University of Vermont	LNE1837132231	10.215	Sustainable Agriculture Research and Education	7,165	27,906
	University of Vermont	ONE16284C29994	10.215	Sustainable Agriculture Research and Education	—	1,935
				Total Sustainable Agriculture Research and Education	14,522	240,708
		Direct	10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	—	20,860
		Direct	10.303	Integrated Programs	43,876	211,577
	Cornell University	80289-10774	10.304	Homeland Security Agricultural	—	20,330
		Direct	10.307	Organic Agriculture Research and Extension Initiative	—	151,817
	Cornell University	79536-10805	10.307	Organic Agriculture Research and Extension Initiative	—	61,906
				Total Organic Agriculture Research and Extension Initiative	—	213,723

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
Michigan State University		RC104285J	10.309	Specialty Crop Research Initiative	\$ —	22,487
Michigan State University		RC104622E	10.309	Specialty Crop Research Initiative	—	7,748
Purdue University		8000076816-AG	10.309	Specialty Crop Research Initiative	—	92,915
				Total Specialty Crop Research Initiative	—	123,150
		Direct	10.310	Agriculture and Food Research Initiative (AFRI)	92,541	779,821
University of California at Berkeley (UCB)		00009502	10.310	Agriculture and Food Research Initiative (AFRI)	—	51,589
University of Colorado		1000340959	10.310	Agriculture and Food Research Initiative (AFRI)	—	30,191
University Of Oklahoma		2016-68002-24967	10.310	Agriculture and Food Research Initiative (AFRI)	—	70,298
University of Vermont		32375SUB52504	10.310	Agriculture and Food Research Initiative (AFRI)	—	22,336
Virginia Polytechnic Institute and State University		42247519119	10.310	Agriculture and Food Research Initiative (AFRI)	—	48,468
				Total Agriculture and Food Research Initiative (AFRI)	92,541	1,002,703
		Direct	10.319	Farm Business Management and Benchmarking Competitive Grants Program	1,585	9,379
University of Minnesota		H005728803	10.319	Farm Business Management and Benchmarking Competitive Grants Program	—	4,803
				Total Farm Business Management and Benchmarking Competitive Grants Program	1,585	14,182
		Direct	10.328	National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program	—	51,440
		Direct	10.329	Crop Protection and Pest Management Competitive Grants Program	—	141,671
Cornell University		73984-11029	10.329	Crop Protection and Pest Management Competitive Grants Program	—	17,584
				Total Crop Protection and Pest Management Competitive Grants Program	—	159,255
		Direct	10.458	Crop Insurance Education in Targeted States	—	87,419
University of Vermont		33559SUB52934	10.460	Risk Management Education Partnerships	—	8,902
Kansas State University		S18090	10.500	Cooperative Extension Service	—	5,197
Kansas State University		S19066	10.500	Cooperative Extension Service	—	3,266
University of Delaware		49375	10.500	Cooperative Extension Service	19,326	39,723
				Total Cooperative Extension Service	19,326	48,186
		Direct	10.351	Rural Business Development Grant	—	8,987
		Direct	10.652	Forestry Research	26,905	105,600
		Direct	10.664	Cooperative Forestry Assistance	—	12,807
NH Dept of Natural & Cultural Resources		13C004	10.664	Cooperative Forestry Assistance	—	52,405
NH Dept of Natural & Cultural Resources		13C005	10.664	Cooperative Forestry Assistance	—	72,600
				Total Cooperative Forestry Assistance	—	137,812

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
		Direct	10.678	Forest Stewardship Program	\$ —	2,118
		Direct	10.680	Forest Health Protection	—	21,522
		Direct	10.699	Partnership Agreements	—	141,338
		Direct	10.902	Soil and Water Conservation	—	23,804
	National Fish & Wildlife Foundation	040517057630	10.902	Soil and Water Conservation	—	29,462
	National Fish & Wildlife Foundation	040517057704	10.902	Soil and Water Conservation	—	75,311
				Total Soil and Water Conservation	—	128,577
		Direct	10.912	Environmental Quality Incentives Program	—	5,860
	Nature Conservancy	A103586	10.931	Agricultural Conservation Easement Program	—	34,474
	Nature Conservancy	TNCNHNRCSPREP11302017	10.931	Agricultural Conservation Easement Program	—	11,696
	Nature Conservancy	TNCUNHNRCs05222017	10.931	Agricultural Conservation Easement Program	—	62,015
				Total Agricultural Conservation Easement Program	—	108,185
	Department of Agriculture Total				198,755	5,374,058
Department of Commerce		Direct	11.unknown	Other Department of Commerce Programs	—	37,940
		Direct	11.008	NOAA Mission-Related Education Awards	172,618	727,869
		Direct	11.012	Integrated Ocean Observing System (IOOS)	21,422	89,917
	NERACOOS	A00504	11.012	Integrated Ocean Observing System (IOOS)	—	7,290
	NERACOOS	A008-004	11.012	Integrated Ocean Observing System (IOOS)	—	338,998
				Total Integrated Ocean Observing System (IOOS)	21,422	436,205
	University of Maine	UMS1135	11.017	Ocean Acidification Program (OAP)	—	5,721
		Direct	11.400	Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	85,646	7,348,783
		Direct	11.417	Sea Grant Support	114,505	1,666,753
	University of Puerto Rico	2016-2017-005	11.417	Sea Grant Support	—	29,977
	University of Puerto Rico	20182019006	11.417	Sea Grant Support	—	21,171
				Total Sea Grant Support	114,505	1,717,901
	Great Bay Stewards	14NI41	11.419	Coastal Zone Management Administration Awards	—	35,336
	NH Department of Environmental Services	01231978	11.419	Coastal Zone Management Administration Awards	—	9,885
	NH Department of Environmental Services	02201983	11.419	Coastal Zone Management Administration Awards	—	11,061
	NH Department of Environmental Services	02211847	11.419	Coastal Zone Management Administration Awards	—	37,529
	NH Department of Environmental Services	10261667	11.419	Coastal Zone Management Administration Awards	—	8,891
	NH Department of Environmental Services	031319-060	11.419	Coastal Zone Management Administration Awards	—	2,402

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
NH Department of Environmental Services		032515-42	11.419	Coastal Zone Management Administration Awards	\$ —	42,464
NH Department of Environmental Services		060618-108	11.419	Coastal Zone Management Administration Awards	—	12,499
NH Department of Environmental Services		062018-114	11.419	Coastal Zone Management Administration Awards	—	49,509
NH Department of Environmental Services		062018-117	11.419	Coastal Zone Management Administration Awards	—	19,969
NH Department of Environmental Services		062117-104	11.419	Coastal Zone Management Administration Awards	—	4,305
NH Department of Environmental Services		062117-105	11.419	Coastal Zone Management Administration Awards	—	(14)
NH Department of Environmental Services		111418-057	11.419	Coastal Zone Management Administration Awards	—	48,580
NH Department of Environmental Services		112217-033	11.419	Coastal Zone Management Administration Awards	—	10,500
NH Department of Environmental Services		120617-039	11.419	Coastal Zone Management Administration Awards	—	7,443
NH Department of Environmental Services		VC #177867-B046	11.419	Coastal Zone Management Administration Awards	—	5,475
Rhode Island, State of		14G281	11.419	Coastal Zone Management Administration Awards	—	47,815
University of Florida		UFDSP00011234	11.419	Coastal Zone Management Administration Awards	—	32,950
University of Michigan		SUBAWARD #3004636438	11.419	Coastal Zone Management Administration Awards	—	172,513
				Total Coastal Zone Management Administration Awards	—	559,112
	Direct		11.420	Coastal Zone Management Estuarine Research Reserves	—	101,731
Narragansett Bay Natl Estuarine Res Reserve	14NI48		11.420	Coastal Zone Management Estuarine Research Reserves	—	21,150
				Total Coastal Zone Management Estuarine Research Reserves	—	122,881
	Direct		11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	27,483	332,318
Bigelow Laboratories for Ocean Studies	BLOS 18002		11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	—	26,523
Massachusetts, State of	14G257		11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	—	34,914
				Total Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	27,483	393,755
	Direct		11.431	Climate and Atmospheric Research	—	121,353
University of Maryland	53897Z7813009		11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	—	172,037
University of Rhode Island	NFE		11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	—	49,616
				Total National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	—	221,653
	Direct		11.463	Habitat Conservation	—	(27)
	Direct		11.472	Unallied Science Program	—	18,229
University of Southern Mississippi	USM800605501		11.472	Unallied Science Program	—	35,121
				Total Unallied Science Program	—	53,350
NERACOOS	A010004		11.478	Center for Sponsored Coastal Ocean Research Coastal Ocean Program	—	6,855
	Direct		11.609	Measurement and Engineering Research and Standards	—	2,465
	Direct		11.620	Science, Technology, Business and/or Education Outreach	—	5,800
Department of Commerce Total					421,674	11,761,616

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
Department of Defense						
		Direct	12.contract	Other Department of Defense Programs	\$ 82,534	567,877
	Mentis Sciences Inc	MSIN03243862	12.contract	Other Department of Defense Programs	—	18,469
	Physical Sciences, Inc.	SC1984001	12.contract	Other Department of Defense Programs	—	82,261
	Spectral Sciences Inc	14BA36	12.contract	Other Department of Defense Programs	—	10,550
				Total Other Department of Defense Programs	82,534	679,157
		Direct	12.300	Basic and Applied Scientific Research	208,597	1,313,583
	Mentis Sciences Inc	4303	12.300	Basic and Applied Scientific Research	—	37,152
	Mentis Sciences Inc	MSIN05474126	12.300	Basic and Applied Scientific Research	—	13,051
	University of California at San Diego	SUB# 78526300, MPPO S9001452	12.300	Basic and Applied Scientific Research	—	21,036
	University of California at San Diego	SUB#108323982 PO S9002048	12.300	Basic and Applied Scientific Research	—	78,216
				Total Basic and Applied Scientific Research	208,597	1,463,038
		Direct	12.431	Basic Scientific Research	19,954	263,114
		Direct	12.630	Basic, Applied, and Advanced Research in Science and Engineering	—	942
	Academy of Applied Science	19871018	12.630	Basic, Applied, and Advanced Research in Science and Engineering	—	16,717
	Advanced Regenerative Manufacturing Inst	AS-0001	12.630	Basic, Applied, and Advanced Research in Science and Engineering	—	145,816
	Advanced Regenerative Manufacturing Inst	EWD-0003	12.630	Basic, Applied, and Advanced Research in Science and Engineering	—	24,554
	Advanced Regenerative Manufacturing Inst	EWD0018	12.630	Basic, Applied, and Advanced Research in Science and Engineering	—	18,115
				Total Basic, Applied, and Advanced Research in Science and Engineering	—	206,144
		Direct	12.800	Air Force Defense Research Sciences Program	261,328	551,381
	University of Colorado	1556761	12.800	Air Force Defense Research Sciences Program	—	131,088
				Total Air Force Defense Research Sciences Program	261,328	682,469
	Department of Defense Total				572,413	3,293,922
Department of Housing and Urban Development						
	County of Cheshire	14G274	14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	—	117,447
		Direct	14.506	General Research and Technology Activity	—	18,386
	Department of Housing and Urban Development Total				—	135,833
Department of the Interior						
		Direct	15.contract	Other Department of Interior Programs	750,816	1,160,608
	AmericaView Inc	AV18NH01	15.unknown	Other Department of Interior Programs	—	10,980
	NH Dept of Natural & Cultural Resources	091317-052	15.unknown	Other Department of Interior Programs	—	9,024
				Total Other Department of Interior Programs	750,816	1,180,612
		Direct	15.424	Marine Minerals Activities	—	53,142
	NH Department of Fish & Game	041917-46	15.615	Cooperative Endangered Species Conservation Fund	—	9,501
	Wildlife Management Institute	GSA00025	15.631	Partners for Fish and Wildlife	—	17,230
	NH Department of Fish & Game	04171973	15.634	State Wildlife Grants	—	21,056

University System of New Hampshire
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Year Ended June 30, 2019

Federal Grantor/Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
	NH Department of Fish & Game	041917-46	15.634	State Wildlife Grants	\$ —	24,638
	NH Department of Fish & Game	12161557	15.634	State Wildlife Grants	—	38,664
	Oklahoma Department of Wildlife Conservation	F18AF00625	15.634	State Wildlife Grants	—	29,314
				Total State Wildlife Grants	—	113,672
		Direct	15.650	Research Grants (Generic)	—	33,640
		Direct	15.654	National Wildlife Refuge System Enhancements	—	318
		Direct	15.657	Endangered Species Conservation – Recovery Implementation Funds	—	52,725
	University of Delaware	49090	15.677	Hurricane Sandy Disaster Relief Activities-FWS	—	2,513
		Direct	15.805	Assistance to State Water Resources Research Institutes	101,400	307,658
		Direct	15.808	U.S. Geological Survey Research and Data Collection	—	84,107
		Direct	15.945	Cooperative Research and Training Programs – Resources of the National Park System	—	10,547
	Department of the Interior Total				852,216	1,865,665
Department of Justice						
		Direct	16.026	OVW Research and Evaluation Program	20,250	92,526
		Direct	16.526	OVW Technical Assistance Initiative	—	51,845
	Westat	656200S001	16.543	Missing Children's Assistance	—	36,295
		Direct	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	12,758	111,657
	National Children's Advocacy Center	2015-R2-CX-0004	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	—	88,168
				Total National Institute of Justice Research, Evaluation, and Development Project Grants	12,758	199,825
	NH Department of Justice (Attorney General)	2019VOC65	16.575	Crime Victim Assistance	—	288,038
	Westat	646600S001	16.734	Special Data Collections and Statistical Studies	—	37,325
	Department of Justice Total				33,008	705,854
Department of the State						
	Indiana University	BL4346829UNH	19.415	Professional and Cultural Exchange Programs – Citizen Exchanges	—	55,009
	Department of the State Total				—	55,009
Department of Transportation						
		Direct	20.contract	Other Department of Transportation Programs	332	6,071
	Minnesota Dept of Transportation	1003326-002	20.contract	Other Department of Transportation Programs	—	78,085
	University of Vermont	26014 SUB UNH 15-3	20.unknown	Other Department of Transportation Programs	14,300	14,300
	University of Vermont	260141303UNH PROJ 2	20.unknown	Other Department of Transportation Programs	—	6,946
				Total Other Department of Transportation Programs	14,632	105,402
		Direct	20.514	Public Transportation Research, Technical Assistance, and Training	—	157,290
	Department of Transportation Total				14,632	262,692

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
National Aeronautics and Space Administration						
	Assurance Technology Corp	Direct 900731	43.contract	Other National Aeronautics and Space Administration Programs	\$ 315,585	871,675
	Johns Hopkins University	967399	43.contract	Other National Aeronautics and Space Administration Programs	16,507	780,898
	Johns Hopkins University	976878	43.contract	Other National Aeronautics and Space Administration Programs	(1,808)	(1,808)
	Southwest Research Institute (SwRI)	499878Q	43.contract	Other National Aeronautics and Space Administration Programs	—	45,652
	Southwest Research Institute (SwRI)	A99200MO	43.contract	Other National Aeronautics and Space Administration Programs	1,520,975	2,726,394
	University of California at Berkeley (UCB)	00007549	43.contract	Other National Aeronautics and Space Administration Programs	—	12,504
	University of California at Berkeley (UCB)	SA405826326	43.contract	Other National Aeronautics and Space Administration Programs	—	59,662
		Direct	43.unknown	Other National Aeronautics and Space Administration Programs	—	90,311
	Manufacturing Technical Solutions Inc	MTSUNH06012014	43.unknown	Other National Aeronautics and Space Administration Programs	230,663	1,220,066
					—	4,798
				Total Other National Aeronautics and Space Administration Programs	2,081,922	5,810,152
		Direct	43.001	Science	940,951	6,791,823
	California Institute of Technology	S414139	43.001	Science	—	85,838
	California Institute of Technology	S416271	43.001	Science	—	24,162
	Dartmouth College	R1050	43.001	Science	—	76,136
	Dartmouth College	R974	43.001	Science	—	105,136
	Eastern Michigan University	R707213211	43.001	Science	—	8,111
	Florida Atlantic University	XR-K11	43.001	Science	—	23,165
	Georgia Institute of Technology	RG213G1	43.001	Science	—	294
	Incom Inc	14BA25	43.001	Science	—	27,173
	Johns Hopkins University	135260	43.001	Science	1,441,291	2,096,292
	Johns Hopkins University	149961	43.001	Science	—	89,792
	Johns Hopkins University	151382	43.001	Science	—	194,354
	Lockheed Martin	4104042516	43.001	Science	—	2,947
	Predictive Science Inc	14BA24	43.001	Science	—	25,628
	Predictive Science Inc	UNH-16NAJL03	43.001	Science	—	167,706
	Princeton University	SUB0000036	43.001	Science	—	4,157
	Princeton University	SUB0000147	43.001	Science	—	502,280
	Princeton University	SUB0000156	43.001	Science	—	503,137
	Princeton University	SUB0000191	43.001	Science	—	210,455
	Princeton University	SUB0000211	43.001	Science	—	3,028
	Rutgers University	0123	43.001	Science	—	99,554
	Southwest Research Institute (SwRI)	K99053CT	43.001	Science	—	20,921
	Southwest Research Institute (SwRI)	L42272LP	43.001	Science	—	17,913
	Southwest Research Institute (SwRI)	M52069ZJ	43.001	Science	—	297
	Space Telescope Science Institute	HSTGO14905001A	43.001	Science	—	6,156
	Space Telescope Science Institute	HSTGO15441001A	43.001	Science	—	18,598
	University of Alabama	2018249	43.001	Science	—	18,140
	University of Alaska	UAF 180026	43.001	Science	—	154,264
	University of Alaska	UAF 19-0009	43.001	Science	—	125,047
	University Corporation for Atmospheric Research (Colorado)	SUBAWD000134	43.001	Science	—	88,359
	University of Colorado	1553781	43.001	Science	—	55,783
	University of Colorado	1557050	43.001	Science	—	1,126

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Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
	University of Colorado	NFE	43.001	Science	\$ —	2,296
	University of Iowa	1001665865	43.001	Science	—	661,687
	University of Iowa	NFE	43.001	Science	—	24,688
	University of Oregon	NFE	43.001	Science	—	2,836
	University of Toledo	F-2017-131	43.001	Science	—	34,827
	University of Washington	UWSC9774	43.001	Science	—	64,322
				Total Science	2,382,242	12,338,428
		Direct	43.008	Education	469,637	1,027,213
	National Aeronautics and Space Administration Total				4,933,801	19,175,793
National Science Foundation						
Hubbard Brook Research Foundation	17132044C6S01	47.unknown		Other National Science Foundation Programs	—	14,226
	Direct	47.041		Engineering Grants	62,030	2,064,708
Tufts University	NSF693	47.041		Engineering Grants	—	3,692
				Total Engineering Grants	62,030	2,068,400
		Direct	47.049	Mathematical and Physical Sciences	—	491,553
Northeastern University	502421-78050 P1704452	47.049		Mathematical and Physical Sciences	—	26,956
				Total Mathematical and Physical Sciences	—	518,509
		Direct	47.050	Geosciences	904,674	4,558,239
Dartmouth College	1376	47.050		Geosciences	—	160,743
Marine Biological Laboratory	52681	47.050		Geosciences	—	63,217
				Total Geosciences	904,674	4,782,199
		Direct	47.070	Computer and Information Science and Engineering	—	577,192
Semiconductor Research Corporation	2017TS2768	47.070		Computer and Information Science and Engineering	—	11,012
University Of Illinois	02001616526	47.070		Computer and Information Science and Engineering	—	6,186
University System of Georgia	RD199G13	47.070		Computer and Information Science and Engineering	—	6,380
MA Green High Performance Computing Ctr	1659377-UNH	47.070		Computer and Information Science and Engineering	—	54,308
				Total Computer and Information Science and Engineering	—	655,078
		Direct	47.074	Biological Sciences	234,251	3,528,695
Bowdoin College	2017001	47.074		Biological Sciences	—	4,199
Cary Institute of Ecosystem Studies	3298200201811	47.074		Biological Sciences	—	28,875
Cary Institute of Ecosystem Studies	3340/200201862/1637685	47.074		Biological Sciences	—	23,461
Cary Institute of Ecosystem Studies	3340/200201940	47.074		Biological Sciences	—	7,317
Cary Institute of Ecosystem Studies	3340-200201866	47.074		Biological Sciences	—	137,687
Cary Institute of Ecosystem Studies	3392200201978	47.074		Biological Sciences	—	20,177
Harvard University	1317065056664	47.074		Biological Sciences	—	159,505
Harvard University	131721-5109142	47.074		Biological Sciences	—	73,757
Northern Arizona University	100334601	47.074		Biological Sciences	—	25,270

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Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
	Northern Arizona University	100355701	47.074	Biological Sciences	\$ —	50,823
	University of Puerto Rico	2016005	47.074	Biological Sciences	—	84,145
	University of Vermont	32741SUB52560	47.074	Biological Sciences	—	11,909
				Total Biological Sciences	234,251	4,155,820
		Direct	47.075	Social, Behavioral, and Economic Sciences	27,279	342,350
	Georgia State University	SP0001300602	47.075	Social, Behavioral, and Economic Sciences	—	14,675
	Univ Of Massachusetts Amherst	17009298A	47.075	Social, Behavioral, and Economic Sciences	—	1,213
	University of Idaho	JDK061-SB-001	47.075	Social, Behavioral, and Economic Sciences	—	262,501
				Total Social, Behavioral, and Economic Sciences	27,279	620,739
		Direct	47.076	Education and Human Resources	17,792	1,238,790
	Hubbard Brook Research Foundation	17132044C6S02	47.076	Education and Human Resources	—	73,524
	Metropolitan State University of Denver	PO V189050	47.076	Education and Human Resources	—	2,798
				Total Education and Human Resources	17,792	1,315,112
		Direct	47.078	Polar Programs	—	52,412
		Direct	47.079	Office of International Science and Engineering	830,823	1,494,386
	Michigan Technological Univ	1110090Z6 P0090858	47.079	Office of International Science and Engineering	—	20,983
				Total Office of International Science and Engineering	830,823	1,515,369
		Direct	47.083	Office of Integrative Activities	295,618	3,164,403
	Bigelow Laboratories for Ocean Studies	BLOS19001	47.083	Office of Integrative Activities	—	74,612
				Total Office of Integrative Activities	295,618	3,239,015
	National Science Foundation Total				2,372,467	18,936,879
US Veterans Administration		Direct	64.unknown	Other Department of Veterans Affairs	—	7,358
	US Veterans Administration Total				—	7,358
Environmental Protection Agency		Direct	66.contract	Other Environmental Protection Agency Programs	—	78,565
	Maine Department of Environmental Protection	06A201809130982	66.contract	Other Environmental Protection Agency Programs	—	8,444
	University of Colorado	1552029	66.contract	Other Environmental Protection Agency Programs	—	7,538
		Direct	66.unknown	Other Environmental Protection Agency Programs	—	16,648
				Total Other Environmental Protection Agency Programs	—	111,195
	University of Southern Maine	00A00060	66.203	Environmental Finance Center Grants	—	10,662
		Direct	66.456	National Estuary Program	2,289	551,406
	University of Southern Maine	UNH2018CB	66.456	National Estuary Program	—	25,623
	University of Southern Maine	UNHYR23CB	66.456	National Estuary Program	—	90
				Total National Estuary Program	2,289	577,119

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Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
	Clark University	Direct	66.509	Science To Achieve Results (STAR) Research Program	\$ —	137,290
	Dartmouth College	2E049-SNH	66.509	Science To Achieve Results (STAR) Research Program	—	18,619
	Dartmouth College	R898	66.509	Science To Achieve Results (STAR) Research Program	—	19,621
	Dartmouth College	R899/83616901	66.509	Science To Achieve Results (STAR) Research Program	—	(2,402)
	Dartmouth College	R994	66.509	Science To Achieve Results (STAR) Research Program	—	8,314
				Total Science To Achieve Results (STAR) Research Program	—	181,442
	NH Department of Environmental Services	062018-115	66.605	Performance Partnership Grants	—	40,998
	NH Department of Environmental Services	062018-116	66.605	Performance Partnership Grants	—	19,148
	NH Department of Environmental Services	122017-070	66.605	Performance Partnership Grants	—	11,167
				Total Performance Partnership Grants	—	71,313
	NH Department of Environmental Services	030718-042	66.608	Environmental Information Exchange Network Grant Program and Related Assistance	21,193	45,692
	eXtension Foundation	SA201739	66.716	Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	—	12,831
	eXtension Foundation	SA201909	66.716	Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	—	7,113
					—	19,944
	Environmental Protection Agency Total				23,482	1,017,367
Department of Energy						
	Advanced Research Corporation (ARC)	Direct	81.contract	Other Department of Energy Programs	—	80,087
		190070	81.contract	Other Department of Energy Programs	—	17,539
				Total Other Department of Energy Programs	—	97,626
	Ground Energy Support	Direct	81.049	Office of Science Financial Assistance Program	—	1,232,774
	Ohio State University	14B980	81.049	Office of Science Financial Assistance Program	—	34,720
	Stanford University	60055729	81.049	Office of Science Financial Assistance Program	—	306,962
	Univ Of Massachusetts Amherst	61351720-124215	81.049	Office of Science Financial Assistance Program	—	357,598
	Univ Of Massachusetts Amherst	17009594B00	81.049	Office of Science Financial Assistance Program	—	319,803
	University of Wisconsin	17009619A00	81.049	Office of Science Financial Assistance Program	—	31,498
		455K696	81.049	Office of Science Financial Assistance Program	—	4,813
				Total Office of Science Financial Assistance Program	—	2,288,168
	Oregon State University	Direct	81.087	Renewable Energy Research and Development	—	95,891
		J2196AA	81.087	Renewable Energy Research and Development	—	79,937
				Total Renewable Energy Research and Development	—	175,828
	University of Texas at Austin	UTA15-001120	81.089	Fossil Energy Research and Development	—	89,715

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Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
	University of Maine	UMS1188	81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	\$ —	72,863
	Trophic LLC	Direct	81.121	Nuclear Energy Research, Development and Demonstration	72,352	152,453
	University of Southern Mississippi	14B995	81.135	Advanced Research Projects Agency – Energy	15,965	115,796
	University of Southern Mississippi	USM800605903	81.135	Advanced Research Projects Agency – Energy	15,040	101,188
	University of Southern Mississippi	USM800606003	81.135	Advanced Research Projects Agency – Energy	40,000	160,881
				Total Advanced Research Projects Agency – Energy	71,005	377,865
	Department of Energy Total				143,357	3,254,518
	Department of Education					
	University of Vermont	29338SUB51804	84.305	Education Research, Development and Dissemination	219,338	443,056
	Department of Education Total				219,338	443,056
	Northern Border Regional Commission					
		Direct	90.601	Northern Border Regional Development	—	24,807
	Northern Border Regional Commission Total				—	24,807
	Department of Health & Human Services					
	Dartmouth-Hitchcock Medical Center	14NI56	93.contract	Other Department of Health and Human Services Programs	—	121,198
	Health Research Inc	5292.01	93.contract	Other Department of Health and Human Services Programs	—	38,750
	NH Department of Health & Human Services	031319-009	93.unknown	Other Department of Health and Human Services Programs	—	56,837
	NH Department of Health & Human Services	05011910	93.unknown	Other Department of Health and Human Services Programs	—	112,234
	NH Department of Health & Human Services	NFE	93.unknown	Other Department of Health and Human Services Programs	—	35,745
	Reeve (Christopher) Paralysis Foundation	14NH71	93.unknown	Other Department of Health and Human Services Programs	—	1,466
				Total Other Department of Health and Human Services Programs	—	366,230
	NH Department of Health & Human Services	010919-008	93.070	Environmental Public Health and Emergency Response	—	5,811
		Direct	93.088	Advancing System Improvements for Key Issues in Women's Health	—	262,875
	NH Department of Health & Human Services	011817-13	93.103	Food and Drug Administration Research	—	3,368
	NH Dept of Agriculture Markets & Food	1062957	93.103	Food and Drug Administration Research	—	61,718
				Total Food and Drug Administration Research	—	65,086
	Assn of Maternal & Child Health Programs AMCHP	Direct	93.110	Maternal and Child Health Federal Consolidated Programs	38,402	464,195
	Dartmouth-Hitchcock Medical Center	U45MC27709	93.110	Maternal and Child Health Federal Consolidated Programs	—	1,809
		GC001390002	93.110	Maternal and Child Health Federal Consolidated Programs	—	527,243
				Total Maternal and Child Health Federal Consolidated Programs	38,402	993,247
	New Hampshire Coalition Against Domestic Violence	Direct	93.136	Injury Prevention and Control Research and State and Community Based Programs	20,332	131,651
	New Hampshire Coalition Against Domestic Violence	14NI02	93.136	Injury Prevention and Control Research and State and Community Based Programs	—	6,447
	New Hampshire Coalition Against Domestic Violence	14NI17	93.136	Injury Prevention and Control Research and State and Community Based Programs	—	23,248
	New Hampshire Coalition Against Domestic Violence	14NJ16	93.136	Injury Prevention and Control Research and State and Community Based Programs	—	19,040
	Rutgers University	NFE	93.136	Injury Prevention and Control Research and State and Community Based Programs	—	141,829
				Total Injury Prevention and Control Research and State and Community Based Programs	20,332	322,215

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Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures	
University of Wisconsin		Direct	93.184	Disabilities Prevention	\$ —	460,698	
		Direct	93.226	Research on Healthcare Costs, Quality and Outcomes	—	10,892	
		808K275	93.239	Policy Research and Evaluation Grants	—	22,939	
		Direct	93.242	Mental Health Research Grants	—	115,877	
Dartmouth College NH Department of Health & Human Services Rutgers University		Direct	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	—	102,633	
		R931	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	—	4,902	
		060618-019	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	6,445	78,160	
		824688	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	—	9,596	
Total Substance Abuse and Mental Health Services Projects of Regional and National Significance					6,445	195,291	
Dartmouth College		Direct	93.262	Occupational Safety and Health Program	—	147,214	
		Direct	93.273	Alcohol Research Programs	57,033	325,338	
		R1191	93.279	Drug Abuse and Addiction Research Programs	—	3,759	
		Direct	93.310	Trans-NIH Research Support	—	350,460	
Emory University		T663436	93.310	Trans-NIH Research Support	—	71,259	
Total Trans-NIH Research Support					—	421,719	
NH Department of Health & Human Services		031319-010	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	—	31,857	
		Direct	93.398	Cancer Research Manpower	—	192,273	
		Direct	93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	378,540	2,048,848	
National Disability Institute		14NJ72	93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	—	25,450	
Total ACL National Institute on Disability, Independent Living, and Rehabilitation Research					378,540	2,074,298	
NH Department of Health & Human Services New Hampshire Department of Insurance New Hampshire Department of Insurance		Direct	93.434	Every Student Succeeds Act/Preschool Development Grants	—	1,321,160	
		02061339	93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	—	40,479	
		092717-034	93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	—	32,820	
		121918-035	93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	—	18,722	
Total Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review					—	51,542	
State University of New York NH Department of Health & Human Services Xemed LLC Brigham and Women's Hospital		Direct	93.631	Developmental Disabilities Projects of National Significance	49,328	411,979	
		Direct	93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	2,529	566,366	
		Direct	93.647	Social Services Research and Demonstration	—	17,967	
		18-7	93.648	Child Welfare Research Training or Demonstration	—	158,661	
		041719-021	93.670	Child Abuse and Neglect Discretionary Activities	—	43,680	
		2R44HL117337-03-UNH	93.838	Lung Diseases Research	—	28,366	
		114149	93.839	Blood Diseases and Resources Research	—	(95,836)	
		Direct	93.839	Blood Diseases and Resources Research	77,769	448,525	
	Total Blood Diseases and Resources Research					77,769	352,689
		Direct	93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	—	241,144	
	Direct	93.855	Allergy and Infectious Diseases Research	—	60,061		

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Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
	Celdara Medical LLC	Direct	93.859	Biomedical Research and Research Training	\$ —	2,116,713
	Dartmouth College	1UT2GM130176-01	93.859	Biomedical Research and Research Training	—	24,634
	Dartmouth College	64U105	93.859	Biomedical Research and Research Training	—	1,500
	Dartmouth College	DARTMOUTH SUB#1227	93.859	Biomedical Research and Research Training	—	(2,393)
	Dartmouth College	DARTMOUTH SUB#770	93.859	Biomedical Research and Research Training	—	(17,673)
	Dartmouth College	R1039	93.859	Biomedical Research and Research Training	—	63,156
	Dartmouth College	R1040	93.859	Biomedical Research and Research Training	—	58,990
	Dartmouth College	R1043	93.859	Biomedical Research and Research Training	—	70,034
	Dartmouth College	R1044	93.859	Biomedical Research and Research Training	—	51,283
	Dartmouth College	R1045	93.859	Biomedical Research and Research Training	—	53,823
	Dartmouth College	R762	93.859	Biomedical Research and Research Training	—	76,634
	Dartmouth College	R763	93.859	Biomedical Research and Research Training	—	373,778
	Dartmouth College	R764	93.859	Biomedical Research and Research Training	—	423
	Dartmouth College	R768 AMEND #2	93.859	Biomedical Research and Research Training	—	(45)
	Dartmouth College	R774	93.859	Biomedical Research and Research Training	—	184,319
	Dartmouth College	R919	93.859	Biomedical Research and Research Training	—	101,373
	Dartmouth College	SUB R770/5P20GM103506-07	93.859	Biomedical Research and Research Training	—	(54,476)
	Dartmouth College	SUB# R1042	93.859	Biomedical Research and Research Training	—	48,887
	Dartmouth College	SUB# 1506	93.859	Biomedical Research and Research Training	—	(4,609)
	Dartmouth College	SUB# R1041	93.859	Biomedical Research and Research Training	—	52,547
	Dartmouth College	SUB# R769	93.859	Biomedical Research and Research Training	—	157,554
	Dartmouth College	SUB# R770 AMEND#2	93.859	Biomedical Research and Research Training	—	(57,344)
	Dartmouth College	SUB#R769 P20GM103506	93.859	Biomedical Research and Research Training	—	(155)
	Dartmouth College	SUBAWARD R769	93.859	Biomedical Research and Research Training	—	(4,542)
	Indiana University	1569204	93.859	Biomedical Research and Research Training	—	(11,540)
	University of Wyoming	1003287B-UNH	93.859	Biomedical Research and Research Training	—	56,721
				Total Biomedical Research and Research Training	—	3,339,592
	Center for Innovative Public Health Research	Direct	93.865	Child Health and Human Development Extramural Research	—	35,132
	University of Massachusetts	1R01HD083072	93.865	Child Health and Human Development Extramural Research	—	34,775
		OSP2018052	93.865	Child Health and Human Development Extramural Research	—	157,397
				Total Child Health and Human Development Extramural Research	—	227,304
	University of Michigan	Direct	93.866	Aging Research	1,525	111,710
		3004158143	93.866	Aging Research	—	44,911
				Total Aging Research	1,525	156,621
		Direct	93.867	Vision Research	105,026	371,795
	NH Department of Health & Human Services	Direct	93.991	Preventive Health and Health Services Block Grant	50,449	419,845
		062020-026	93.994	Maternal and Child Health Services Block Grant to the States	—	163,064
	Department of Health & Human Services Total				787,378	13,989,934
	Corporation for National and Community Service					
	Volunteer Nh!	16AFHNN0010006	94.006	AmeriCorps	—	54,756
	Corporation for National and Community Service Total				—	54,756

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Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
	Department of Homeland Security					
		Direct	97.contract	Other Department of Homeland Security Programs	\$ —	1,500
	Department of Homeland Security Total				—	1,500
	Total Research and Development Cluster				10,572,521	80,360,617
Other awards:						
	Department of Agriculture					
	SNAP Cluster					
	NH Department of Health & Human Services	11041511	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	—	981,950
	SNAP Cluster Total				—	981,950
	Child Nutrition Cluster					
	NH Department of Education	13D085	10.555	National School Lunch Program	—	18,879
	Child Nutrition Cluster Total				—	18,879
	Forest Service Schools and Roads Cluster					
		Direct	10.666	Schools and Roads – Grants to Counties	—	1,123
	Forest Service Schools and Roads Cluster Total				—	1,123
	Department of the Interior					
	Fish and Wildlife Cluster					
	NH Department of Fish & Game	04191745	15.605	Sport Fish Restoration	—	7,930
	NH Department of Fish & Game	071917-083	15.611	Wildlife Restoration and Basic Hunter Education	3,098	203,588
	NH Department of Fish & Game	07241338	15.611	Wildlife Restoration and Basic Hunter Education	—	100,022
				Total Wildlife Restoration and Basic Hunter Education	3,098	303,610
	Fish and Wildlife Cluster Total				3,098	311,540
	Department of Transportation					
	Highway Planning and Construction Cluster					
	NH Department of Environmental Services	050609-073	20.205	Highway Planning and Construction	—	23,436
	NH Department of Transportation	02252015-22	20.205	Highway Planning and Construction	—	(1,443)
	NH Department of Transportation	041719-038	20.205	Highway Planning and Construction	—	38,274
	NH Department of Transportation	050119-022	20.205	Highway Planning and Construction	—	5,043
	NH Department of Transportation	102616-35	20.205	Highway Planning and Construction	—	151,495
	NH Department of Transportation	103118-028	20.205	Highway Planning and Construction	—	37,736
	NH Department of Transportation	111815-16	20.205	Highway Planning and Construction	—	134,406
	NH Department of Transportation	122017-030	20.205	Highway Planning and Construction	—	472,565
	NH Department of Transportation	G&C 10.26.16	20.205	Highway Planning and Construction	—	25,431
	Texas A&M Transportation Institute	12S141239	20.205	Highway Planning and Construction	—	19,307
	University of Vermont	26014 SUB UNH 15-1	20.205	Highway Planning and Construction	11,240	32,541
	University of Vermont	26014154	20.205	Highway Planning and Construction	—	46,082
	Highway Planning and Construction Cluster Total				11,240	984,873

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Federal Transit Cluster						
NH Department of Transportation	Direct	20.507	20.507	Federal Transit Formula Grants	\$ —	1,176,377
	41369			Federal Transit Formula Grants	—	49,823
				Total Federal Transit Formula Grants	—	1,226,200
Federal Transit Cluster Total					—	1,226,200
Highway Safety Cluster						
NH Department of Safety	05151866	20.600	20.600	State and Community Highway Safety	—	19,744
NH Department of Safety	051519-091	20.600	20.600	State and Community Highway Safety	—	40,006
NH Department of Safety	05161861	20.600	20.600	State and Community Highway Safety	—	5,295
				Total State and Community Highway Safety	—	65,045
NH Department of Safety	022118-057	20.616	20.616	National Priority Safety Programs	—	12,600
NH Department of Safety	31418A005	20.616	20.616	National Priority Safety Programs	—	725
				Total National Priority Safety Programs	—	13,325
Highway Safety Cluster Total					—	78,370
Department of Education						
Special Education Cluster (IDEA)						
NH Department of Education	2712010312	84.027	84.027	Special Education Grants to States	—	36,034
Special Education Cluster (IDEA) Total					—	36,034
Environmental Protection Agency						
Clean Water State Revolving Fund Cluster						
Paradigm Environmental Services Inc	PEUNHGLEC001	66.458	66.458	Capitalization Grants for Clean Water State Revolving Funds	—	3,812
Clean Water State Revolving Fund Cluster Total					—	3,812
Drinking Water State Revolving Fund Cluster						
NH Department of Environmental Services	100318-049	66.468	66.468	Capitalization Grants for Drinking Water State Revolving Funds	—	14,024
Drinking Water State Revolving Fund Cluster Total					—	14,024
Department of Education						
Student Financial Assistance Cluster						
	Direct	84.007	84.007	Federal Supplemental Educational Opportunity Grants	—	2,862,899
	Direct	84.033	84.033	Federal Work-Study Program	—	2,563,938
	Direct	84.038	84.038	Federal Perkins Loan Program	—	22,134,210
	Direct	84.063	84.063	Federal Pell Grant Program	—	25,974,914
	Direct	84.268	84.268	Direct Lending Programs – Loans Issued	—	169,090,680
Student Financial Assistance Cluster Total					—	222,626,641

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
	TRIO Cluster					
		Direct	84.042	TRIO Student Support Services	\$ —	1,067,176
		Direct	84.044	TRIO Talent Search	—	583,742
		Direct	84.047	TRIO Upward Bound	—	1,379,286
		Direct	84.217	TRIO McNair Post-Baccalaureate Achievement	—	298,404
	TRIO Cluster Total				—	3,328,608
Department of Health & Human Services						
CCDF Cluster						
NH Department of Health & Human Services	GSC 05/17/17 #15		93.575	Child Care and Development Block Grant	—	290,614
CCDF Cluster Total					—	290,614
Medicaid Cluster						
Catholic Medical Center	74N022		93.778	Medical Assistance Program	—	25,625
NH Department of Health & Human Services	061919-014		93.778	Medical Assistance Program	—	1,325
NH Department of Health & Human Services	062117-011		93.778	Medical Assistance Program	—	1,030,014
Medicaid Cluster Total					—	1,056,964
Social Security Administration						
Disability Insurance/SSI Cluster						
Summit Consulting LLC	SSA.BPA.UNH.18		96.001	Social Security Disability Insurance	—	17,465
Disability Insurance/SSI Cluster Total					—	17,465
Department of Agriculture						
	Direct		10.458	Crop Insurance Education in Targeted States	—	81,688
	Direct		10.500	Cooperative Extension Service	—	975,882
Clemson University	18222072009684		10.500	Cooperative Extension Service	—	12,973
University of Delaware	46315		10.500	Cooperative Extension Service	—	8,353
University of Delaware	46532		10.500	Cooperative Extension Service	—	748
	Total Cooperative Extension Service				—	997,956
	Direct		10.511	Smith-Lever Funding (Various Programs)	—	954,699
	Direct		10.514	Expanded Food and Nutrition Education Program	—	166,214
	Direct		10.515	Renewable Resources Extension Act and National Focus Fund Projects	—	8,990
	Direct		10.664	Cooperative Forestry Assistance	10,764	60,803
NH Department of Resources & Economic Development (DRED)	090916		10.664	Cooperative Forestry Assistance	—	(132)
NH Dept of Natural & Cultural Resources	082217		10.664	Cooperative Forestry Assistance	—	1,350
	Total Cooperative Forestry Assistance				10,764	62,021
Department of Agriculture Total					10,764	2,271,568
Department of Commerce						
	Direct		11.contract	Other Department of Commerce Programs	—	63,768
	Direct		11.999	Marine Debris Program	—	13,040
Department of Commerce Total					—	76,808

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
Department of Housing and Urban Development Grafton Regional Development Corporation		14NI85	14.contract	Other Housing and Urban Development Department Programs	\$ —	40,000
Department of Housing and Urban Development Total					—	40,000
Department of Justice Manchester, NH (City of)		AGREEMENT #1016088	16.320	Services for Trafficking Victims	—	15,551
New Hampshire Coalition Against Domestic Violence		14NI20	16.575	Crime Victim Assistance	—	5,158
New Hampshire Coalition Against Domestic Violence		14NJ08	16.575	Crime Victim Assistance	—	7,685
				Total Crime Victim Assistance	—	12,843
NH Department of Justice (Attorney General)		2018W052/2017-WF-AX-0007	16.588	Violence Against Women Formula Grants	—	5,905
National 4-H Council		14NI65	16.726	Juvenile Mentoring Program	—	24,945
Department of Justice Total					—	59,244
Department of Labor						
	Direct		17.504	Consultation Agreements	—	415,599
Department of Labor Total					—	415,599
Department of the State Fulbright Commission		FULBRIGHT	19.009	Public Diplomacy Programs	—	1,301
World Learning		AWARD DATED 11/1/2018	19.009	Academic Exchange Programs – Undergraduate Programs	—	40,743
Department of the State Total					—	42,044
Department of Transportation McFarland Johnson		14BA03	20.contract	Other Department of Transportation Programs	—	9,179
Department of Transportation Total					—	9,179
National Foundation on the Arts and the Humanities New England Foundation for the Arts		18-34306	45.025	Promotion of the Arts Partnership Agreements	—	4,500
New England Foundation for the Arts		18-34349	45.025	Promotion of the Arts Partnership Agreements	—	4,939
New England Foundation for the Arts		18-34962	45.025	Promotion of the Arts Partnership Agreements	—	1,000
New England Foundation for the Arts		18-35152	45.025	Promotion of the Arts Partnership Agreements	—	800
				Total Promotion of the Arts Partnership Agreements	—	11,239
	Direct		45.163	Promotion of the Humanities Professional Development	—	31,299
National Foundation on the Arts and the Humanities Total					—	42,538
Small Business Administration						
	Direct		59.037	Small Business Development Centers	—	754,890
Small Business Administration Total					—	754,890

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
Department of Veterans Affairs		Direct	64.034	VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces	\$ —	98,284
Department of Veterans Affairs Total					—	98,284
Environmental Protection Agency		Direct	66.110	Healthy Communities Grant Program	1,021	20,301
Newfound Lake Region Association		14NI73	66.460	Nonpoint Source Implementation Grants	—	13,664
NH Department of Environmental Services		082416-47	66.460	Nonpoint Source Implementation Grants	—	35,929
				Total Nonpoint Source Implementation Grants	—	49,593
		Direct	66.514	Science To Achieve Results (STAR) Fellowship Program	—	7,477
Environmental Protection Agency Total					1,021	77,371
Department of Education						
University of Massachusetts at Boston		97351001	84.contract	Other Department of Education Programs	—	14,262
CCSNH		14UD14	84.048	Career and Technical Education -- Basic Grants to States	—	(157)
NH Department of Education		021016-051	84.323	Special Education – State Personnel Development	—	(1,170)
NH Department of Education		APPROVED BY G&C 11/21/15	84.323	Special Education – State Personnel Development	—	221
NH Department of Education		APPROVED G&C 6.24.15	84.323	Special Education – State Personnel Development	—	2,638
				Total Special Education – State Personnel Development	—	1,689
		Direct	84.325	Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	—	216,180
		Direct	84.336	Teacher Quality Partnership Grants	—	749,782
NH Department of Education		AWARD STARTING 1/18/17	84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	—	132,512
University of California at Berkeley (UCB)		02-NH01-SEED2017-CRWPPD	84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	—	11,652
University of California at Berkeley (UCB)		02-NH01-SEED2017-ILI	84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	—	4,366
				Total Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	—	148,530
Department of Education Total					—	1,130,286
Northern Border Regional Commission		Direct	90.601	Northern Border Regional Development	—	641
Northern Border Regional Commission Total					—	641

University System of New Hampshire
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Cluster Title	Pass through Grantor	Direct Award or Pass through entity Identifying Number	CFDA No.	Program Title	Amount Passed Through to Subrecipient	Total Federal Expenditures
Department of Health & Human Services		Direct	93.464	ACL Assistive Technology	\$ —	439,839
NH Department of Education		061516-067	93.500	Pregnancy Assistance Fund Program	—	11,831
NH Department of Health & Human Services		06291612	93.517	Affordable Care Act Aging and Disability Resource Center	100,557	189,831
New Hampshire Coalition Against Domestic Violence		14NI18	93.556	Promoting Safe and Stable Families	—	22,656
Maine Quality Counts		IC674-A	93.638	ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)	554,998	1,441,122
NH Department of Health & Human Services		061814-77	93.658	Foster Care Title IV-E	—	(8,424)
NH Department of Health & Human Services		062018-44C	93.658	Foster Care Title IV-E	—	127,288
NH Department of Health & Human Services		1801NHFOST,1801NHADPT,1801NHCW	93.658	Foster Care Title IV-E	—	70,956
NH Department of Health & Human Services		GSC 02/7/18 #11	93.658	Foster Care Title IV-E	—	1,000,161
NH Department of Health & Human Services		GSC 06/15/16 #9A	93.658	Foster Care Title IV-E	—	964,880
				Total Foster Care Title IV-E	—	2,154,861
Health Strategies of NH Inc		14NJ78	93.687	Maternal Opioid Misuse Model	—	11,605
		Direct	93.732	Mental and Behavioral Health Education and Training Grants	150,000	1,096,706
NH Department of Health & Human Services		NB01OT009141	93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	—	87,943
NH Department of Health & Human Services		NU58DP006298	93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	—	63,439
Department of Health & Human Services Total					805,555	5,519,833
Department of Homeland Security		Direct	97.045	Cooperating Technical Partners	37,455	87,870
NH Department of Safety		13S043	97.067	Homeland Security Grant Program	—	5,264
NH Department of Safety		13S050	97.067	Homeland Security Grant Program	—	31
NH Department of Safety		13S051	97.067	Homeland Security Grant Program	—	72
NH Department of Safety		13S052	97.067	Homeland Security Grant Program	—	(350)
NH Department of Safety		13S058	97.067	Homeland Security Grant Program	—	27,638
NH Department of Safety		13S059	97.067	Homeland Security Grant Program	—	26,865
NH Department of Safety		13S060	97.067	Homeland Security Grant Program	—	4,983
NH Department of Safety		13S061	97.067	Homeland Security Grant Program	—	8,833
				Total Homeland Security Grant Program	—	73,336
Department of Homeland Security Total					37,455	161,206
Total Other Awards					854,795	10,699,491
Total Expendiures of Federal Awards					\$ 11,441,654	322,037,205

See accompanying notes to supplementary schedule of expenditures of federal awards.

See accompanying independent auditors' report.

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

(1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of the University System of New Hampshire (USNH), which includes the University of New Hampshire (UNH), Plymouth State University (PSU), Keene State College (KSC), and Granite State College (GSC) under programs funded by the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of USNH, it is not intended to and does not present the net position, changes in net position or cash flows of USNH.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between USNH and agencies and departments of the federal government pursuant to federal grants, contracts and similar agreements. The Schedule also denotes awards passed through to USNH to other non-federal organizations.

(2) Significant Accounting Policies

Expenditures under federal award programs are recognized as incurred using the accrual method of accounting and the cost accounting principles promulgated under applicable federal circulars. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement and, accordingly, are not reflected as expenditures in the accompanying Schedule. Expenditures also include a portion of costs associated with general operating activities of the respective institutions which are allocated to awards under negotiated formulas commonly referred to as facilities and administrative cost rates.

(3) Facilities and Administrative Costs

The University has approved predetermined facilities and administrative cost rates for on campus and off campus sponsored research activities. Facilities and administrative cost recoveries are reported as part of federal expenditures on the Schedule. The base rates in effect for the year ended June 30, 2019 were:

UNH negotiated facilities and administrative cost rates in fiscal year 2016 and 2018 with its cognizant agency, the U.S. Department of Health and Human Services (DHHS). The on-campus facilities and administrative cost rate in place for UNH is 50.5% of modified total direct costs effective July 1, 2018 until amended. Other facilities and administrative cost recovery rates for UNH range from 26.0% to 57.5% of modified total direct costs and relate to off-campus, instruction and other sponsored programs.

The on-campus facilities and administrative cost rate in place for PSU is 56.7% of direct salaries and wages from July 1, 2016 until amended.

The on-campus facilities and administrative cost rate in place for KSC and GSC is 60.0% of direct salaries and wages from July 1, 2016 until amended.

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

(4) Federal Perkins Loan Program (CFDA 84.038)

The Perkins Loan Program listed below is administered directly by USNH, and balances and transactions relating to this program are included in USNH's financial statements. The outstanding Perkins loans receivable balance as of June 30, 2019 is as follows:

Balance at June 30, 2018	\$ 22,134,210
Loans issued	—
Payments and adjustments	<u>(4,977,767)</u>
Balance at June 30, 2019	<u>\$ 17,156,443</u>

(5) Federal Direct Student Loans (CFDA 84.268)

Federally guaranteed loans issued to USNH students through the Federal Direct Loan Program (FDL), includes Direct Subsidized and Unsubsidized Stafford Loans, and Direct Parent Loans for Undergraduate Students (PLUS Loans). These distributions and the related funding sources are not included in the System's financial statements. Amounts distributed for the FDL program during the year ended June 30, 2019 are summarized as follows:

Stafford Loans:	
UNH	\$ 72,350,184
PSU	26,440,063
KSC	16,227,690
GSC	<u>6,797,461</u>
Total Stafford Loans	<u>121,815,398</u>
PLUS Loans:	
UNH	29,371,054
PSU	10,309,956
KSC	7,552,811
GSC	<u>41,461</u>
Total PLUS Loans	<u>47,275,282</u>
Total Federal Direct Student Loans	<u>\$ 169,090,680</u>



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University System of New Hampshire (the System), a component unit of the State of New Hampshire, which comprise the statement of net position as of June 30, 2019, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2019. Our report includes an emphasis of matters paragraph noting that, in 2019, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, and GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

October 30, 2019



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the University System of New Hampshire's (the System's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended June 30, 2019. The System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the System's compliance.

Opinion on Each Major Federal Program

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-002, 2019-004, and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

The System's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The System is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The System's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, 2019-004 and 2019-005 to be significant deficiencies.

The System's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The System is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The System's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the statements of net position 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, 2019 and 2018, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements. We issued our report thereon dated October 30, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying supplementary schedule of expenditures of federal awards for the year ended June 30, 2019 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 2019 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 basic financial statements or to the 2019 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 2019 basic financial statements as a whole.

KPMG LLP

Boston, Massachusetts
January 16, 2020

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles:

Unmodified

Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: _____ yes X no
- Significant deficiencies: _____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control deficiencies over each major program disclosed by the audit:

- Material weaknesses: _____ yes X no
- Significant deficiencies: X yes _____ none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a):

 X yes _____ no

Identification of major program	CFDA numbers
Research and Development Cluster	Various
TRIO Cluster	Various

Dollar threshold used to distinguish between type A and type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

 X yes _____ no

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

(3) Findings and Questioned Costs Relating to Federal Awards

Reference Number 2019-001:

Program Name: Research and Development Cluster

Federal Agency:	Department of Health & Human Services	National Aeronautics and Space Administration
Pass-Through Agency:	N/A	Johns Hopkins University
CFDA #:	93.273	43.001
Federal Award Numbers:	1R34AA02484901A1	135260
Federal Award Year:	9/15/17-5/31/19	7/15/16-9/3/19

Criteria

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Conditions Found:

The Sponsored Programs Administration's ("SPA") Expense Approval and Documentation Guidance, "The Principal Investigator ("PI") has overall responsibility for the technical and fiscal management of a sponsored project. While the PI may receive assistance from the Business Service Center ("BSC") or SPA on financial tasks, the PI retains the responsibility for the review and approval, of charges on their sponsored project(s)". PI's are responsible for reviewing expenditures to confirm they are allowable and allocable to the grant and are within the grants period of performance. PI's may delegate this responsibility to an individual with direct knowledge of the project. Delegates may only approve routine items and reimbursement requests. Delegates may not approve all transactions that directly benefit the delegate.

During our testwork of 40 non-payroll expenditures, we noted 3 instances where we could not determine if the PI, or their approved delegate, had expressly approved the cost. Specifically, we noted:

- 1) For 2 of the 3 instances noted above, the approval was completed by an approved delegate, however, the expense was directly related to the delegate and therefore, PI approval was required. These expenditures related to conference fees and hotel accommodations for the delegate to present at a scientific meeting.
- 2) In 1 of the 3 instances noted above, we could not determine if the PI, or their approved delegate, had expressly approved the cost. Although the PI, or their delegate, was copied on emails and had the opportunity to reject the expenditure, this opportunity does not equate to approval.

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Cause:

The cause of the condition found appears to be a lack of required explicit approvals by the project PI for expenditures which allows for passive approval.

Possible Asserted Effect

The possible effect of the condition found is that unallowed costs are charged to a Federal award or costs are charged to the Federal award with the approval of the project PI. The condition found appears to be systemic in nature and is considered a significant deficiency in internal control.

Questioned Costs

Not Determinable.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was reported in the prior year report as 2018-001.

Recommendation

We recommend the University review its policies and procedures over approvals and implement a requirement for explicit approval of expenditures. Additionally, we recommend the University implement formal procedures to prevent delegates from approving expenses directly related to the delegate.

View of University Officials

Following the University's standard process, the expenditures described in this finding were reviewed and approved by two levels of Business Service Center staff assigned to the PI's department in addition to the notification by email provided to the PI and/or their designated delegate.

However, we agree with the auditor's recommendation and will review and strengthen our policies and procedures regarding approval of expenditures.

We also note that the payments in item # 1 were made directly to the hotel and conference host and did not go through the UNH staff person attending the conference.

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Year ended June 30, 2019

Reference Number 2019-002:

Program Name: Research and Development Cluster

Federal Agency:	Various agencies
Pass-Through Agency:	N/A
CFDA #:	Various CFDA numbers
Federal Award Numbers:	Various award numbers
Federal Award Year:	2018-2019

Criteria:

For non-Federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also §200.302 Financial management paragraph (f). Except as noted elsewhere in this part, Federal agencies must require recipients to use only OMB-approved standard government-wide information collection requests to request payment (2 CFR 200.35).

Interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Interest amounts up to \$500 per year may be retained by the non-Federal entity for administrative expense.

Conditions Found:

The Sponsored Program Administration ("SPA") is responsible for calculating and drawing down Federal funds. This process includes a review of the Federal draw down request to ensure it is accurate and in compliance with Federal requirements. The review process includes the segregation of duties between the preparer of the drawdown, the applier of the drawdown and the reviewer of the drawdown.

During our testwork over cash management we selected a sample of 40 draws and noted the following:

- 1) The drawdown calculation process includes a reconciliation to identify expenditures incurred but not yet paid, however, only amounts over \$5,000 are placed on hold and not included in the drawdown request until the funds have been expended. In 4 drawdown selection we noted that the draw included expenditures for which payment had not yet been made. These unpaid expenditures totaled \$7,323 and could have resulted in the University receiving funds in advance of payment. We noted that the University does not prepare an annual analysis of whether interest was earned on reimbursements paid in advance and therefore required to be remitted to the US Department of Health and Human Services.

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- 2) For 29 drawdowns we noted that the names of the preparer, applier and reviewer were either typed onto the drawdown form or each name was written by the same person. This did not allow us to re-perform the identified control to determine that there was proper segregation of duties and that a review of the draw was performed prior to the draw.

Cause:

The cause of the condition found is a result of the University's internal procedures and practices which a) only requires unpaid expenditures over \$5,000 to be put in hold for administrative practicality purposes; and b) do not require the segregation of duties and review control to be documented in a manner that allows for reperformance.

Possible Asserted Effect:

The University is requesting and receiving Federal drawdowns based on expenditures that have not yet been paid and they could draw down incorrect amounts and would not be able to make a correction until after the funds had been received. The condition found appears to be systemic in nature and is considered a significant deficiency in internal control.

Questioned Costs:

Not determinable.

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

This was not a finding in the prior year.

Recommendation:

We recommend the University reviews their policies and procedures to a) align them with Federal requirements regarding requirements related to reimbursement basis; and b) implement formal documentation requirements during each phase of the drawdown process to allow for re-performance of the segregation of duties and review controls.

View of University Officials:

- (1) The University's process is to draw Federal funds at the end of each month reimbursing expenses and reducing the possibility of drawing funds in advance. Management performed an analysis confirming that in aggregate, the University was never in a position of advancing federal funds at any time during FY19.

However, we agree with the auditor's recommendation and will review and revise cash management procedures to strengthen and more fully align them with Federal requirements.

- (2) Management agrees with the recommendation to implement formal documentation requirements. We have updated our procedure to require the preparer, reviewer, and applier, to sign and date the documentation.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Reference Number 2019-003:

Program Name: TRIO Cluster

Federal Agency:	Department of Education
Pass-Through Agency:	N/A
CFDA #:	84.042
Federal Award Numbers:	P042A1500-42
Federal Award Year:	9/1/15-8/31/20

Criteria:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles; be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost; and be adequately documented. (2 CFR 200.404).

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. (2 CFR 200.405).

Conditions Found:

We selected a sample of 120 payroll and 120 non-payroll costs charged to the TRIO program (40 of each type of cost at each of the 3 campuses administering TRIO services) and noted the following during our testwork:

Plymouth State University (PSU) campus:

The Director of the TRIO program reviews expenses to ensure they are allowable, allocable, and accurate and the approval is noted through a sign-off or an email confirmation. During our review of 40 non-payroll costs, we noted 7 instances where there was no documented approval by the Director indicating that the costs were allowable and allocable to the TRIO program.

Cause:

The cause appears to be result of the campus's internal procedures and practices which do not require formal approval sign-off on costs.

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Possible Asserted Effect

The possible effect of the condition found is that unallowed costs are charged to a Federal award. The condition found appears to be systemic in nature and is considered a significant deficiency in internal control.

Questioned Costs:

None noted.

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

This was not a finding in the prior year.

Recommendation:

We recommend the University review its policies and procedures regarding documentation retention and charging of costs to grant awards to ensure that direct costs can be identified specifically with a particular final cost objective.

View of University Officials:

PSU:

Internal procedures have already changed to close any gaps in securing and/or maintaining the documentation of the PI's approval on grant expenditures. The roll-out of the upcoming e-procurement solution will further enhance this effort.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Reference Number 2019-004:

Program Name: TRIO Cluster

Federal Agency:	Department of Education
Pass-Through Agency:	N/A
CFDA #:	84.042; 84.044; 84.047; 84.217;
Federal Award Numbers:	P044A160059; P042A151232; P047A170130; P217A170114; P047A170673; P042A151180; P047M170416; P042A1500-42
Federal Award Year:	9/1/2016-8/31/2021; 9/1/2015-8/31/2019; 9/1/2017-5/31/2020; 10/1/2017-9/30/2022; 6/1/2017-5/31/2022; 9/1/2015-8/31/2020; 9/1/2017-8/31/2022; 9/1/2015-8/31/2020

Criteria:

For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also §200.302 Financial management paragraph (f). Except as noted elsewhere in this part, Federal agencies must require recipients to use only OMB-approved standard government-wide information collection requests to request payment (2 CFR 200.35).

Interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Interest amounts up to \$500 per year may be retained by the non-Federal entity for administrative expense.

Conditions Found:

We selected a sample of 25 cash draws across the 3 campuses administering TRIO and noted the following during our testwork:

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Year ended June 30, 2019

Keene State College (KSC) campus:

The KSC Sponsored Projects Office is responsible for calculating and drawing down Federal funds. This process includes a review of the Federal draw down request to ensure it is accurate and in compliance with Federal requirements. The review process includes the segregation of duties between the preparer of the drawdown and reviewer of the drawdown. During our testwork over cash management we selected a sample of 8 draws at KSC and noted the following:

- 1) For all 8 drawdowns we were not able to identify the two different individuals who performed the drawdown tasks (i.e. preparer and reviewer). In each case the preparer and reviewer were either typed onto the drawdown form or each name was written by the same person. This did not allow us to re-perform the identified control.
- 2) When determining the amount to drawdown, the KSC Sponsored Projects Office do not evaluate whether there are any unpaid expenses that need to be removed from the request. Additionally, we noted that the campus does not prepare an analysis of whether interest was earned on reimbursements paid in advance and therefore required to be remitted to the US Department of Health and Human Services.

Plymouth State University (PSU) campus:

The Financial Support Specialist is responsible initiating the drawing down of Federal funds. This process includes a review of the Federal draw down request to ensure it is accurate and in compliance with Federal requirements. The review process includes the segregation of duties between the preparer of the drawdown and reviewer of the drawdown. During our testwork over cash management we selected a sample of 5 draws at PSU and we were unable to identify the two different individuals who performed the drawdown tasks (i.e. preparer and reviewer). In each case the preparer and reviewer were either typed onto the drawdown form or each name was written by the same person. This did not allow us to re-perform the identified control.

University of New Hampshire (UNH) campus:

The Sponsored Program Administration ("SPA") is responsible for calculating and drawing down Federal funds. This process includes a review of the Federal draw down request to ensure it is accurate and in compliance with Federal requirements. The review process includes the segregation of duties between the preparer of the drawdown, the applier of the drawdown and the reviewer of the drawdown.

During our testwork over cash management we selected a sample of 12 draws and noted the following:

- 1) The drawdown calculation process includes a reconciliation to identify expenditures incurred but not yet paid, however, only amounts over \$5,000 are placed on hold and not included in the drawdown request until the funds have been expended. In 2 drawdown selection we noted that the draw included expenditures for which payment had not yet been made. These unpaid expenditures totaled \$4,117 and could have resulted in the University receiving funds in advance of payment. We noted that the University does not prepare an annual analysis of whether interest was earned on reimbursements paid in advance and therefore required to be remitted to the US Department of Health and Human Services.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2019

- 2) For 11 drawdowns we noted that the preparer, applier and reviewer were either typed onto the drawdown form or each name was written by the same person. This did not allow us to re-perform the identified control to determine that there was proper segregation of duties and that a review of the draw was performed prior to the draw.

Cause

KSC campus:

The cause of the condition found is a result of the campuses' internal procedures and practices which do not require the segregation of duties and review control to be documented in a manner that allows for reperformance. Additionally, the campus was not aware that the report used to support drawdowns included unpaid costs.

PSU campus:

The cause of the condition found is a result of the campuses' internal procedures and practices which do not require the segregation of duties and review control to be documented in a manner that allows for reperformance.

UNH campus:

The cause of the condition found is a result of the University's internal procedures and practices which a) only requires unpaid expenditures over \$5,000 to be put in hold for administrative practicality purposes; and b) do not require the segregation of duties and review control to be documented in a manner that allows for reperformance.

Possible Asserted Effect:

The University is requesting and receiving Federal drawdowns based on expenditures that have not yet been paid and they could draw down incorrect amounts and would not be able to make a correction until after the funds had been received.

The condition found appears to be systemic in nature and is considered a significant deficiency in internal control.

Questioned Costs:

Not determinable.

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

This was not a finding in the prior year.

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Year ended June 30, 2019

Recommendation:

We recommend the University reviews their policies and procedures to a) align them with Federal requirements regarding requirements related to reimbursement basis; and b) implement formal documentation requirements during each phase of the drawdown process to allow for re-performance of the segregation of duties and review controls.

View of University Officials:

KSC:

- (1) We agree with the finding and will update our policies and procedures to require that the preparer and approver of all drawdown requests sign and date the related documents.
- (2) We agree with the recommendation and will review and revise our cash management procedures to more fully align with the federal requirements.

PSU:

This documentation gap has already been addressed, whereby, the Accountant in the Compliance, Analysis and Planning Office, the preparer, sends an emailed copy of the Request Acknowledgement received from the "G5" Federal system (which includes her name imbedded in the referenced username) along with the Request Payment Confirmation notification (which states the amount of the draw requested) to the OSP Financial Support Specialist for review and posting.

UNH:

- (1) The University's process is to draw Federal funds at the end of each month reimbursing expenses and reducing the possibility of drawing funds in advance. Management performed an analysis confirming that in aggregate, the University was never in a position of advancing federal funds at any time during FY19.

However, we agree with the auditor's recommendation and will review and revise cash management procedures to strengthen and more fully align them with Federal requirements.

- (2) Management agrees with the recommendation to implement formal documentation requirements. We have updated our procedure to require the preparer, reviewer, and applier, to sign and date the documentation.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Reference Number 2019-005:

Program Name: TRIO Cluster

Federal Agency:	Department of Education
Pass-Through Agency:	N/A
CFDA #:	84.042
Federal Award Numbers:	P042A1500-42
Federal Award Year:	9/1/2015-8/31/2020

Criteria:

SSS Program

Eligible Participants – A student is eligible to participate in a SSS project if the student meets all of the following requirements: (a) is a citizen or national of the United States or meets the residency requirements for Federal student financial assistance; (b) is enrolled at the grantee institution or accepted for enrollment in the next academic term at that institution; (c) has a need for academic support as determined by the grantee in order to pursue successfully a postsecondary educational program; and (d) is a low-income individual, a first-generation college student, or an individual with disabilities (34 CFR sections 646.3 and 646.7).

Grant Aid to SSS Students – Grant aid to students is restricted to students who meet all of the following criteria: (a) participating in the SSS project, undergoing their first 2 years of postsecondary education; and (b) receiving Federal Pell Grants. In exceptional cases, grant aid may be offered to students who have completed their first 2 years of postsecondary education and are receiving Federal Pell Grants (34 CFR section 646.30(i)).

The amount of grant aid awarded to an SSS student may not exceed the maximum appropriated Pell Grant (\$5,815 for the 2016-2017 academic year) or be less than the minimum appropriated Pell Grant (\$590 for the 2016-2017 academic year) (20 USC 1070a-14(d)(1)).

Conditions Found:

We selected a sample of 120 students participating in the TRIO program (40 at each of the 3 campuses administering TRIO services) and noted the following during our testwork:

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Plymouth State University (PSU) campus:

The campus requires students requesting services and entry into the SSS program to complete an internal application form, PASS Application for Services form, which collects eligibility data. The campus then confirms eligibility using various institutional sources. We selected a sample of 40 students from the PSU campus and noted the following:

- 1) 15 of the 40 students were classified as being eligible, in whole or in part, based on being an individual with a disability. A participant's disability eligibility designation is confirmed with the PSU Campus Accessibility Services department and the disability box is checked on the student's application to document the confirmation. We noted that there is no documentation beyond this checkmark of this verification and therefore we were unable to determine this eligibility designation for these 15 students. Of these 15 students, 2 were eligible based on this designation alone and therefore we were unable to determine if these 2 students were eligible for TRIO services.
- 2) 35 of the students were classified as being eligible, in whole or in part, based on being a low-income individual. The campus confirms low-income status through a PASS Income Eligibility Listing query, which was created and maintained by Financial Aid department to identify income threshold reported on the participant's FAFSA. In the query, the TRIO Director enters TRIO Program Low-Income Levels equal to 150% of the family income levels established by the Census Bureau for determining poverty status to receive a report listing of students who are TRIO low-income eligible. Students who have completed a PASS Application for Services form and are determined low-income via this query have an "LI" entered into their PASS Web Application record to indicate eligibility based on this criteria.

Of these 35 students, 2 were eligible based on the low-income designation alone; however, in reviewing the participant's completed FAFSA we noted that the students were not actually low-income and therefore were not eligible for TRIO services. During fiscal 2018 the query parameters were inaccurately set up and in addition to the 2 ineligible students in our population, the campus identified 3 additional students who had been determined eligible based on the low-income designation alone but did not actually meet the designation.

Cause:

The cause for condition 1 above is a result of the campuses internal policies and procedures which do not require formal documentation be obtained from the Campus Accessibility Services department to document disability status. The cause for condition 2 above is a result of the query parameters being inaccurate which resulted in inaccurate designations.

Possible Asserted Effect

The possible effect of the condition found is that ineligible participants receive TRIO services.

The condition found appears to be systemic in nature and is considered a significant deficiency in internal control.

Questioned Costs:

Not determinable.

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Year ended June 30, 2019

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

This was not a finding in the prior year.

Recommendation:

We recommend the University review its policies and procedures regarding eligibility determination and documentation retention to ensure that participants are accurately determined eligible and that sufficient documentation is maintained to support the determination.

View of University Officials:

PSU:

The TRIO Director will work with the Disabilities Office director to create a more formal documentation process of disability status. The query issue was resolved back in December 2018 to correct the calculation error. Beginning with the next low-income report run, a sample of the individuals identified as low-income will be tested through a manual calculation to validate the output of the report before providing services.