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November 4, 2021

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

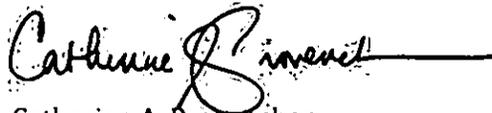
Your Excellency and Members of the Council:

Pursuant to RSA 187-A:22, enclosed please find the Annual Report for the University System of New Hampshire for fiscal year ended June 30, 2021. On page 22 of the report you will find the Independent Auditor's Report reflecting the unmodified or "clean opinion" issued by CliftonLarsonAllen, our external independent auditors. The report was presented to and accepted by the University System's Board of Trustees on October 22, 2021.

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

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

Respectfully,



Catherine A. Provencher
Chief Administrative Officer
Vice Chancellor for Financial Affairs and Treasurer

Enclosures



University System of New Hampshire

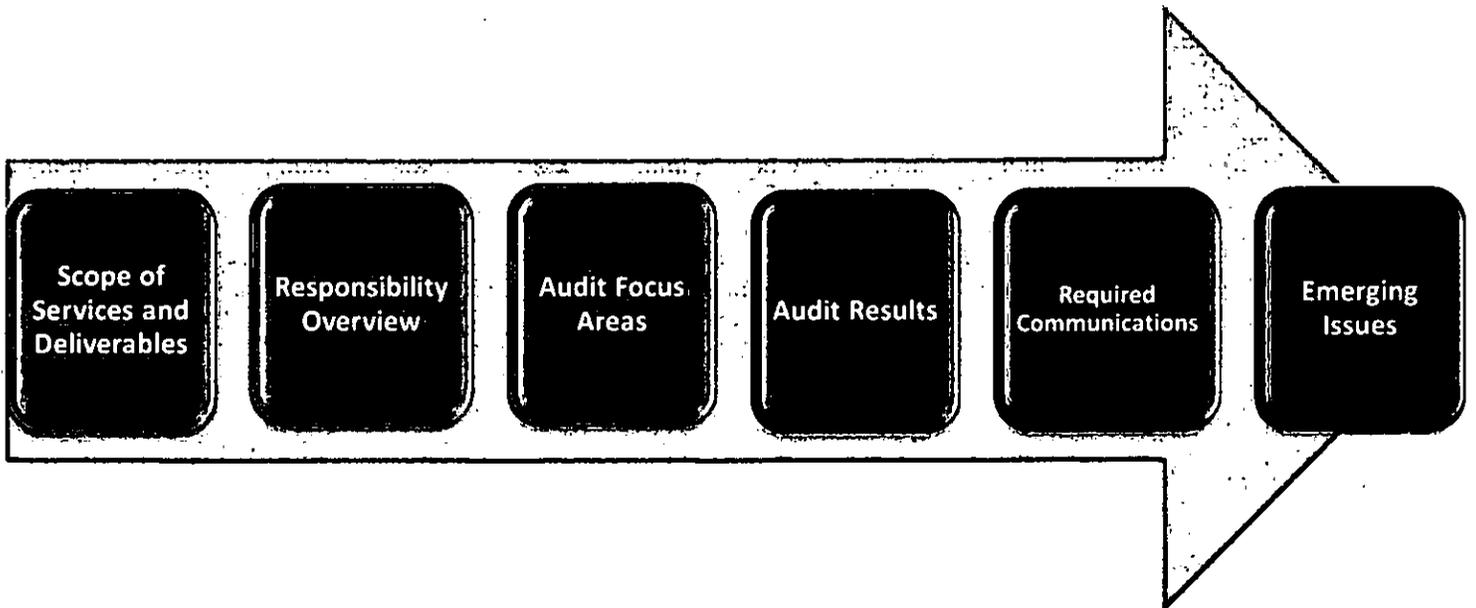
June 30, 2021 Audit Results

October 21, 2021

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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

Agenda



Scope of Services and Deliverables

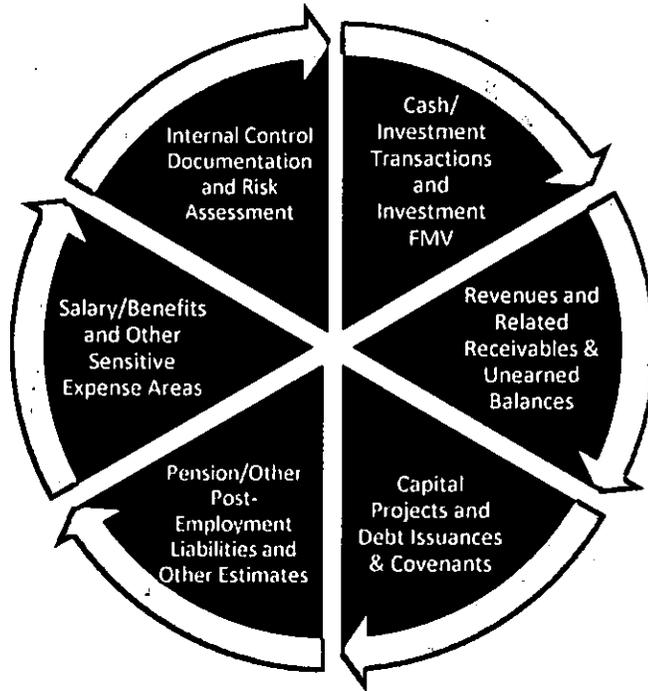
- An audit of the financial statements of University System of New Hampshire (the System) in accordance with generally accepted auditing standards (GAAS) as of and for the year ending June 30, 2021
- Required governance communications letter
- Internal Control Communication Letter
- Management Letter, if applicable
- An audit of the System's major federal award programs under the Uniform Grant Guidance (Single Audit)
 - CLA will perform Major Program Determination and Risk Assessment to identify major programs for testing

Responsibility Overview



Governance	Oversight of the audit process and strategic direction
	Policy related to external audits
Management	Preparation of financial statements
	Selection of accounting policies
	Design and implementation of internal controls over financial reporting and compliance
	Programs to control and prevent fraud and inform auditors of known or suspected fraud
Independent Auditor	Perform an audit in accordance with GAAS
	Express opinion on whether financial statements are fairly presented in conformity with GAAP in all material respects
	Communicate significant matters

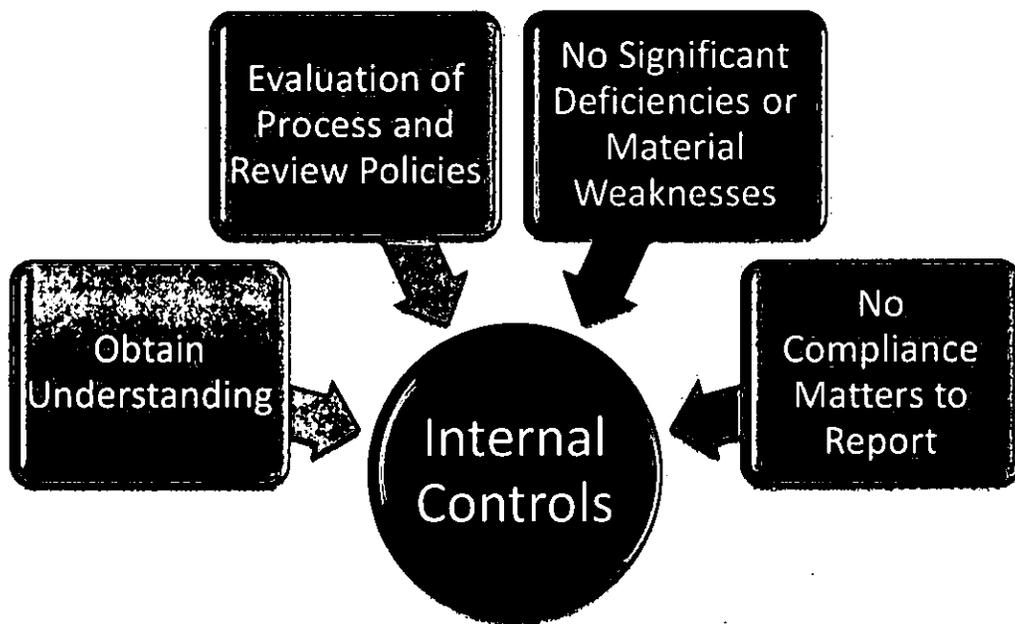
Audit Focus Areas



Audit Results

- Independent Auditors' Reports
 - University System of New Hampshire's financial statements – financial statements considered free from material misstatement – Unmodified opinion for the year ended June 30, 2021

Audit Results - Internal Controls



Required Governance Communications

- Auditor's responsibility
 - Audit performed in accordance with Generally Accepted Auditing Standards
- Accounting policies & disclosures
 - Management's significant accounting policies described in Note 1
 - Disclosure regarding uncertainties caused by the Covid-19 pandemic
- Significant estimates
 - We concluded that management has a reasonable basis for significant judgements and estimates
 - Net Pension Asset & Net OPEB Liability
 - Compensated Absences and Other Accrued Employee Benefits
 - Depreciation Expense and Useful Lives of Capital Assets
 - Fair Value of Investments
 - Accounts, Notes & Pledges Receivable – Allowance for Doubtful Accounts
 - Pledges Receivable – PV Discount of Pledges Outstanding

Required Communications (Continued)

- Corrected and Uncorrected misstatements
 - No corrected misstatements noted
 - One uncorrected misstatement –Investment FMV Appreciation
- Disagreements with management on accounting/auditing matters
 - None
- Consultations with other independent accountants
 - None
- Management representations are provided in a separate letter that affirms representations made throughout the audit.



Emerging Issues

Effective Dates

- **2021**
 - GASB 84 – Fiduciary Activities
- **2022**
 - GASB 87 – Leases
 - GASB 93 – Replacement of Interbank Offered Rates
- **2023**
 - GASB 96 - Subscription-Based Information Technology Arrangements

GASB GOVERNMENTAL
ACCOUNTING
STANDARDS BOARD





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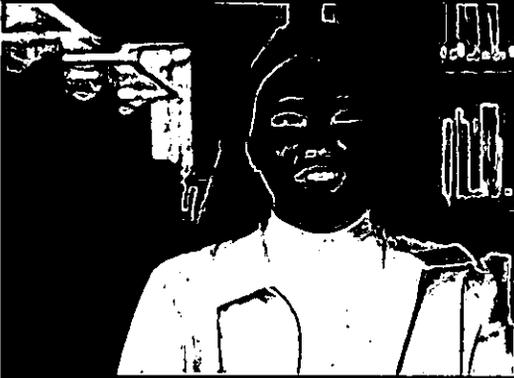
Luke Winter, CPA
Manager
Luke.Winter@CLAconnect.com
484-567-1741

Link to articles:

<https://www.claconnect.com/industries/education-overview>

**WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING**

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



Smriti
Keene State College '24



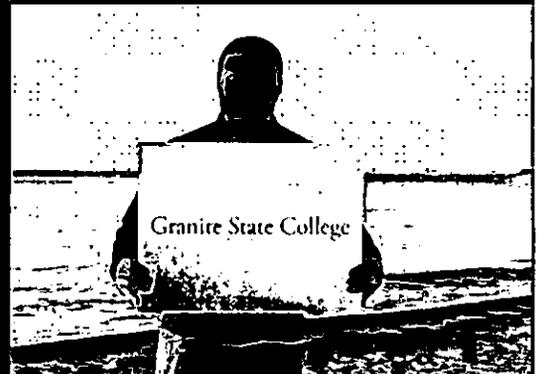
Ben
Plymouth State University '22



Julia
University of New Hampshire '24



Derek
Granite State College '20





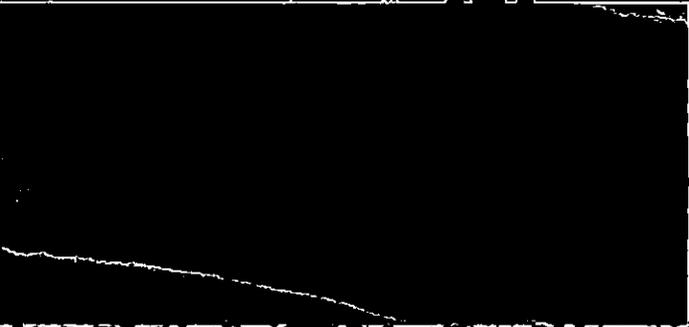
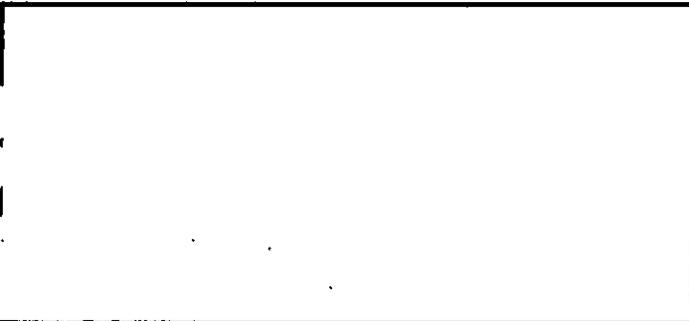
Granite State College

Keene
STATE COLLEGE

Plymouth State
UNIVERSITY

 University of
New Hampshire

University System
of New Hampshire



2021 | ANNUAL REPORT

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The mission of the University System of New Hampshire is to serve the higher educational needs of the people of New Hampshire. The University System strives to assure the availability of appropriate higher educational opportunities to all New Hampshire people; seeks to enroll a diverse student population to enhance educational experiences; and provides programs and activities based on a commitment to excellence. Through its institutions, the University System engages in research which contributes to the welfare of humanity and provides educational resources and professional expertise which benefit the state and its people, the region and the nation.



Founded in 1866, UNH is the state's flagship public research university, with campuses in Durham and Manchester and the UNH Franklin Pierce School of Law in Concord. Over 14,000 students representing 50 states and 64 countries attend UNH, which offers more than 200 academic degree programs. UNH received a record \$260 million in competitive research funding in FY21, doubling its FY20 record. The university is a Carnegie Classification R1 research university, putting it among the top 130 universities in the nation. More than 5,000 NH businesses receive direct, one-on-one assistance from UNH every year. The university also holds the nation's largest undergraduate conference of its kind each spring, featuring roughly 2,000 students. UNH Extension provides research, expertise and outreach programming throughout the state. With the help of more than 5,000 volunteers, Extension reaches 1 in 4 New Hampshire residents each year.

FAST FACTS

- \$1.5 billion generated for NH's economy each year
- 18 NCAA Division 1 teams, more than 600 student athletes
- 96% of recent graduates are employed or pursuing advanced education
- Top 5 in US for intellectual property law among all institutions, public and private
- 84% of first-time, full-time students receive financial aid-\$12,400: average annual scholarship awarded
- Top 5 in US for sustainability among all institutions, public and private



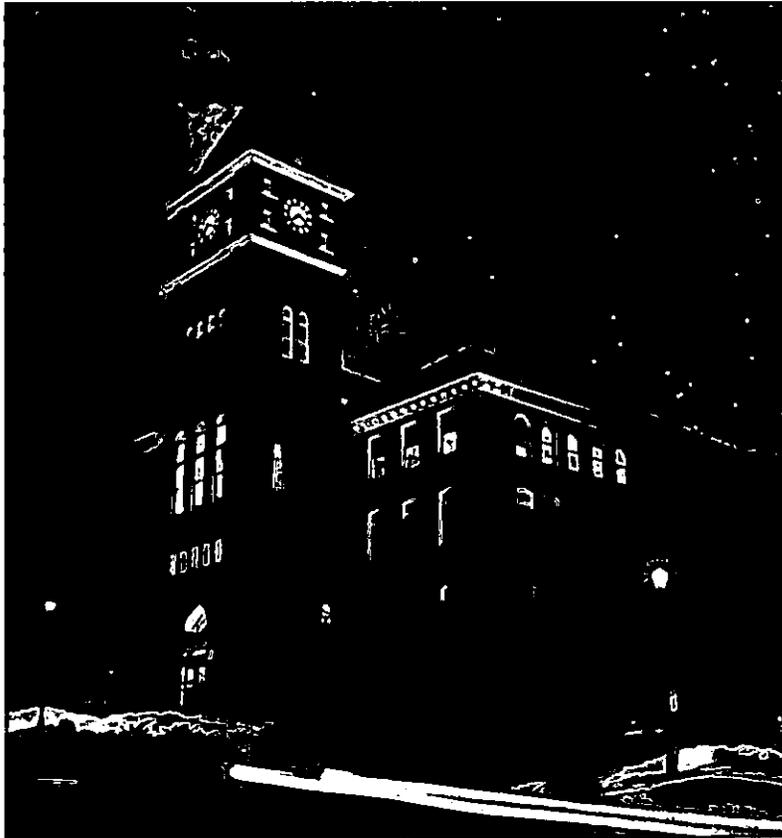
Wisdom to make a difference.

Keene State College is New Hampshire's public liberal arts college, offering more than 40 majors in the arts and sciences, professional programs and selected graduate degrees. For its 3,100 students, the college provides rigorous academic programs and a tradition of small classes, faculty-student collaborative research and service learning. Chief among the college's priorities are preparing students for global citizenship and meaningful work and catalyzing economic development through institutional partnerships across the region and state.

FAST FACTS

- 49% of undergraduates are first-generation college students
- 75% of 2020 graduates participated in at least one high-impact educational practice outside of the classroom*
- 92% of students received financial aid in 2020-21
- Within a year following graduation, 98% of 2018 graduates were employed or in graduate study, and 86% said that their Keene State education had prepared them well for what they are doing now**
- Keene State College receives high marks from *U.S. News and World Report* in its 2022 rankings among regional colleges in the North. Rankings include #9 in Best Schools, #5 in Best Undergraduate Teaching, #7 in Top Public Schools, #4 in Best Colleges for Veterans and #10 in Best Value Schools
- Keene State College is named one of the Best Regional Colleges in the Northeast by *The Princeton Review*

*2020 Graduating Senior Survey. **Class of 2018 One-Year-Out Alumni Survey



Plymouth State UNIVERSITY

Plymouth State University's Cluster Learning Model ensures that every student has opportunities to do real work that matters and relates to their personal interests and hopes for the wider world. The model's foundation includes Interdisciplinary Open Education, and Project-Based Work. Students, faculty, and staff connect with community and business partners for economic development, technological advances, healthier living, and cultural enrichment with a special commitment to the NH North Country and Lakes Region. With an enrollment of approximately 3,750 undergraduate and 1,121 graduate students, the university confers BA, BFA, and BS degrees; master's degrees; certificates of advanced graduate studies (CAGS); and doctoral degrees in education and physical therapy. Students choose from 44 undergraduate majors, 58 minors, and 67 graduate degree and certification programs, with studies in the arts, business, education, humanities, and the natural and social sciences.

FAST FACTS

- PSU is an institutional leader in providing low- or no-cost alternatives to expensive textbooks and has saved students and their families over \$1.2 million through Open Educational Resources (OER) and other strategies
- New programs in climate studies, 3+2 applied exercise physiology and human performance, and 3+1 communication and media studies are the only ones of their kind in New Hampshire
- PSU's educator program is the first in New England and one of only four nationally to have earned dual accreditation from both the Association for Advancing Quality in Educator Preparation (AAQEP) and the Council for the Accreditation of Educator Preparation (CAEP)
- PSU's new turf field is a learning laboratory and is used by approximately 80 percent of the student body

Granite State College

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

FAST FACTS

- Ranked #1 in New Hampshire and #11 in U.S. for 2019 Best Colleges for Adult Learners, *Washington Monthly*
- 99% of enrollments are online
- #107 in U.S. for 2021 Best Online Bachelor's Programs, *U.S. News & World Report*
- #64 in U.S. for 2021 Best Online Bachelor's Programs for Veterans, *U.S. News & World Report*
- 81% of students live in New Hampshire
- 90% of students work in full- or part-time jobs
- 79% of students are transfer students

Mission ACCOMPLISHED



Smriti | Keene State College | '24

I emigrated from Nepal when I was seven. I am the first to go to college, so I'm really taking my family with me. When I was applying, I called Keene five times a day with so many questions. I was translating for my mom. They were great. Before I even stepped on campus, I knew I had made the right decision. I felt so supported, safe, and heard. I just knew it.



Ben | Plymouth State University | '22

I'm from Vancouver. I wanted to come to the U.S. for university. And I wanted to play hockey. That was part of it, but not the only part of it. After graduating, I want to work in technology consulting. Over the past 3+ years, I've gotten amazing advice and networking help that will propel me forward.

[WATCH THE VIDEO](#)



Julia | University of New Hampshire | '24

I have always been into science ... research and infectious diseases, believe it or not. With the pandemic, I had the opportunity to get involved, to get incredible experience, and help people in a way that matters. I couldn't have gone anywhere else and gotten this. The funny thing is I'm 20 minutes from home... to some that's a negative. The truth is I'm close to home but a world away.

[WATCH THE VIDEO](#)



Derek | Granite State College | '20

I was in the military full time, but I was thinking about my future and career beyond that. I wanted to set myself up for success. Going to Granite State College really fit my schedule. I even took classes while I was deployed overseas. The faculty were always there for me, helping me build on my strengths and improve on my weaknesses.

[WATCH THE VIDEO](#)

University of New Hampshire, Plymouth State University, Keene State College and Granite State College announce third consecutive tuition freeze for in-state students

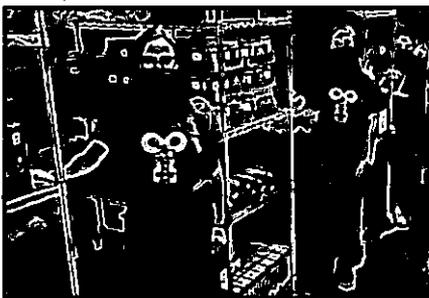
Recognizing the financial challenges faced by many Granite State families due to the pandemic, the University System of New Hampshire (USNH) froze tuition for in-state students for the 2021-22 academic year and will hold these rates through June, 2023. This will make four straight years that USNH has kept tuition the same for New Hampshire residents.



2021 was an incredibly challenging year in so many ways, and we continue to work to lessen the financial burden on our students and their families, many of whom have suffered job losses, business closures and other impacts of the COVID-19 pandemic. In the face of financial losses and unanticipated COVID-related expenses for the University System of New

*Hampshire, this tuition freeze would likely not have happened without the support of the New Hampshire congressional delegation, our governor and state legislators. Ensuring that public higher education is accessible and affordable for students is a top priority for our institutions as we continue working to serve New Hampshire and to make our colleges and universities the first choice for New Hampshire students.**

– Cathy Provencher
USNH Chief Administrative Officer

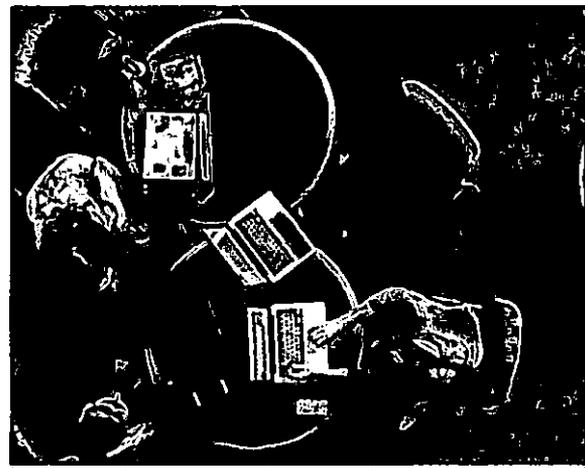


Keene State College addresses food insecurity with student-run Hungry Owl food pantry

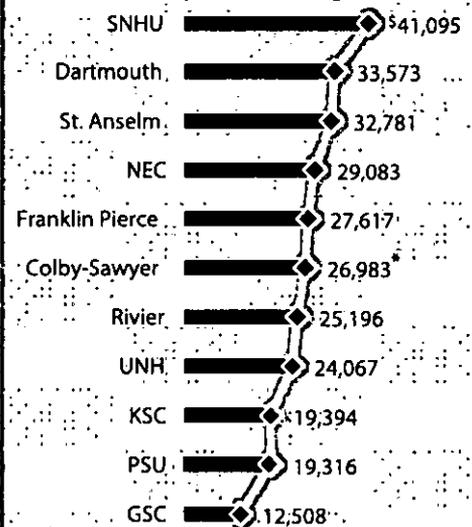
This year the Hungry Owl was recognized by New Hampshire Food Bank, which praised its innovative confidential delivery practices. The Hungry Owl provides food and hygiene products donated by area businesses, food co-ops, and through collected donations from the Keene State community. The Hungry Owl also partnered with The Daily Good, a Keene non-profit, which contributes to a Global Foods pantry, stocking foods that amplify the voices and cultural heritage of the students at Keene State.

Wildcats increase support for students struggling to meet basic needs

Wildcats are stepping up to help students who struggle to pay for food, housing, transportation and other basic needs. Support continues to grow for four efforts that assist students in financial crisis: the Student Emergency Assistance Fund, which provides grants averaging \$500 per student; Inn Between, which provides emergency housing assistance; Swipe It Forward, which allows students to donate meals at the UNH dining halls; and the UNH Franklin Pierce School of Law Student Emergency Financial Assistance Fund, which helps students at the law school. In total during the last academic year, more than \$100,000 was distributed, along with 1,200 meals. This fall, UNH is also opening its first-ever student food pantry on the Durham campus, with the support of an AmeriCorps VISTA coordinator.



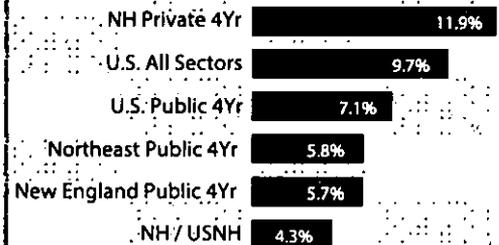
Average net price of attendance for New Hampshire undergrads



*MEDIAN

U.S. Department of Education, College Scorecard, 7/2021, FY19, most recent available. Average total annual price after all grants and scholarship aid for first-year, full-time, in-state students receiving federal aid.

Student loan default rate

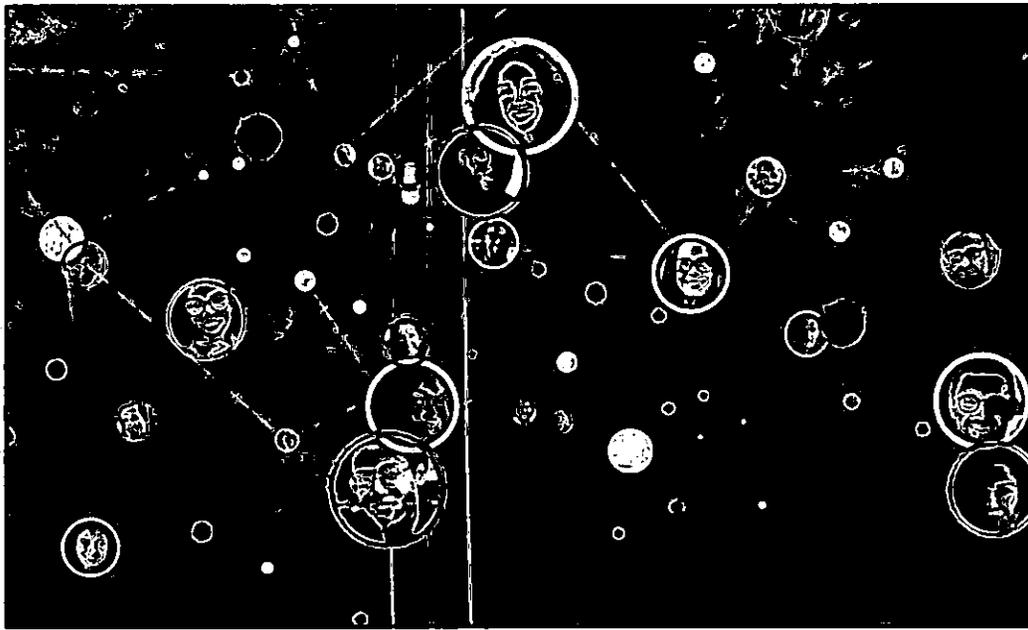


*National Student Loan Data System, official 3-year default rates released 09/2020 on borrowers entering repayment in 2017. New England and Northeast averages include NH/USNH.



This last year has shown how important the ability to make individual choices is – whether it’s where a student goes to school; or how a student wants to learn; or what they want to experience – the University System of New Hampshire’s mission is to ensure students, faculty and staff have the best and most varied, affordable choices when considering higher education opportunities in New Hampshire.





UNH demographer provides vital information for NH's future

Analysis of the latest U.S. Census data by Ken Johnson, senior demographer at the Carsey School of Public Policy and professor of sociology at UNH, provides vital information for businesses looking to grow in the state. For instance, his work shows the state's older population is growing, while its overall population is becoming more diverse, especially among young people.

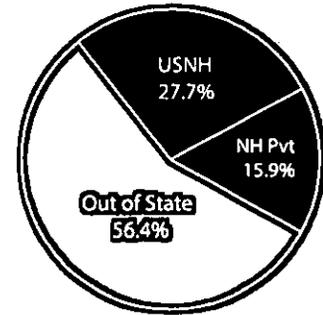
According to Johnson, 80 percent of New Hampshire's population growth between 2010 and 2020 came from people who moved here from out-of-state, and in-migration will continue to be an important factor for New Hampshire's future. The expert analysis is critical information that helps to guide efforts to make New Hampshire more attractive to out-of-state students and workers.



New business analytics initiative will train students, help NH businesses stay competitive

The Peter T. Paul College of Business and Economics at UNH has launched a Business Analytics Initiative aimed at providing New Hampshire and regional businesses with the critical help they need to sustain a competitive advantage — highly skilled graduates who can harness the power of big data and analytics tools. Peter T. Paul '67 contributed a \$6 million gift to jump-start the initiative. A \$25 million gift by Paul in 2008 helped to build the business school, which was named after him in 2013. The field of business analytics continues to grow rapidly, and analytics is now central to many firms' success and strategic planning.

Enrollment of 4-year college-going-New Hampshire high school grads

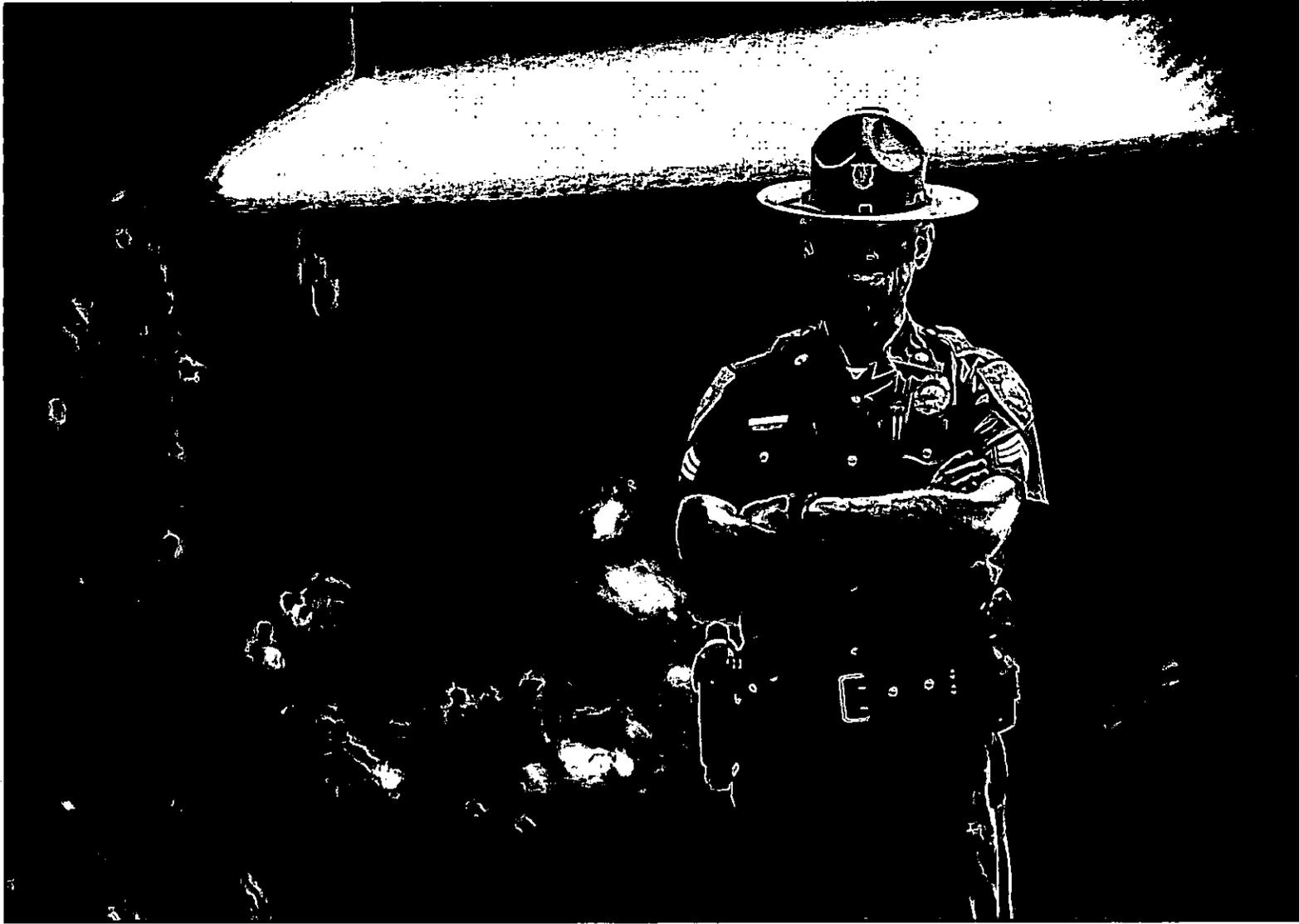


U.S. Department of Education, National Center for Education Statistics, IPEDS, Fall 2020 preliminary, most recent available. High school students graduated within 12 months prior to college enrollment.

USNH locations

1. University of New Hampshire, Durham
2. University of New Hampshire, Manchester
3. UNH Franklin Pierce School of Law, Concord
4. Plymouth State University
5. Keene State College
6. Granite State College, Concord
7. Granite State College, Manchester





Supporting professional growth among frontline workers

Granite State College is proud to introduce two new degree programs that will help to develop capacity across frontline workers: the Bachelor of Science in Fire Service Administration and the Master of Science in Nursing Health Care Education. The B.S. in Fire Service Administration builds on fire service education at the associate level and training through the fire academy, preparing students for leadership in today's increasingly complex industry. This program is built by fire fighters for fire fighters, offering an academically challenging, authentic learning experience.

Health Care Education is a new track with the College's CCNE-accredited Master of Science in Nursing degree program, joining the Health Care Leadership track introduced in 2018. Built on the foundation of nurse education competencies from the National League for Nursing, the program prepares registered nurses to address the critical shortage in nurse educators. This shortage continues to limit student capacity at a time when the need for registered nurses continues to grow.





Keene State College's Emma Manderville named Outstanding Woman of New Hampshire

Emma Manderville, Class of 2022, received the Keene State College Student Award in its annual President's Outstanding Women of New Hampshire ceremony. Ms. Manderville nominators spoke of her energy, dedication, and leadership skills. She serves the community in many ways from tutoring to working to keep the community healthy during the COVID-19 pandemic. Ms. Manderville is an advocate for sexual violence prevention as a member of the Sexual Assault and Violence Education Committee, and an Advisory Board Member for Mentors in Violence Prevention. She is also president of the Keene State Public Health Club, and a student ambassador for the Public Health Department. She provides strong leadership for the Public Health Club, which does advocacy, outreach, and service work on campus and in the community. The Club has grown significantly under Ms. Manderville's leadership. Also, under her leadership, the Public Health Club won the 2020 Keene State Outstanding Academic Organization Award. Ms. Manderville's leadership, dedication to the wellness and health of our community, and her active contributions to a variety of important initiatives across the college are admired and deeply appreciated.

KSC faculty and students collaborate on bio-printing research

Students in the Sustainable Product Design and Innovation (SPDI) program gain valuable research knowledge, building skills that can lead to careers in biomedical research. Students Slesha Tuladhar, who hails from Nepal, and Cartwright Nelson, worked with Dr. MD Ahasan Habib, a professor in the SPDI program, on a project funded by the New Hampshire Center for Multiscale Modeling and Manufacturing of Biomaterials, which supports faculty and students at New Hampshire universities and colleges to pursue such research.



PSU's Alyssa Griffin '23: Committed Changemaker and Problem-Solver

Plymouth State's food pantry serves a vital need, providing sustenance for a significant proportion of PSU students who are food insecure. Alyssa Griffin '23, interim president and food pantry manager of the Student Support Foundation, has enhanced the pantry's efficiency by conducting inventory trend analysis. "I realized that a better way to understand what was going in and out of the pantry could help us to better predict what was needed," says Griffin. "Then we could be more proactive in asking for donations."



A 2017 survey revealed that 15 to 20 percent of PSU students experienced food insecurity. Recent reports that take the pandemic into account indicate 60 percent of students nationwide report basic needs insecurity and 29 percent have experienced food insecurity. Griffin conducted a personalized "Passion Project" through the University Honors Program, tracking inventory items such as foodstuffs and hygiene products by categories, demand, and months received. One key revelation concerned the timing of campus food drives.



Community

It is the responsibility of the University System of New Hampshire to provide a supportive, safe, enriching community that reflects the values of students, faculty and staff, by building a culture of respect, trust, mutual understanding, and healthy relationships. USNH strives to be the partner of choice with our local communities, businesses, and organizations, launching many new initiatives to further partnership efforts. This includes establishing business connections and creating a centralized information center for questions about online learning/training opportunities.

We want our graduates to stay, work, and live in New Hampshire.



Embracing the “Choose Love” movement

Scarlett Lewis founded the Choose Love Movement after her six-year-old son, Jesse, was murdered during the Sandy Hook Elementary School mass shooting in 2012. Motivated to research forms of compassion and teach the world how to avoid similar future tragedies, Lewis found that love, connection, and belonging are universal wants and needs that connect us all. And while the movement has programs that have been accessed in all 50 states and in 112 countries, New Hampshire was the first state to make the adoption of the Jesse Lewis Choose Love curriculum a statewide initiative and Town of Plymouth and PSU are uniquely qualified to serve as a statewide model to promote Social and Emotional Learning (SEL).



The comprehensive curriculum is available at no cost and has been downloaded by more than 400 New Hampshire schools. It is also being taught within the state Division for Children, Youth and Families (DCYF) system and it is currently being modified for use at New Hampshire Department of Corrections facilities. Additional programs for infants and toddlers, athletes and coaches, communities, and families are also available at no cost.

The need for a more loving culture on college campuses is clear, given the rising percentages of young people nationwide suffering from anxiety, bullying, or loneliness, or engaging in substance abuse and other destructive behaviors. Shannon Desilets, NH Program Director for Choose Love, notes that even these painful experiences can yield positive outcomes in the form of Post Traumatic Growth (PTG). She explains, “It’s going through the unimaginable and healing in a way that not only helps yourself but the world around you.”

Keene State College continues partnership with City of Keene

Keene State College continues to partner with the City of Keene, area industries, and other higher education institutions to foster workforce development. The Keene Technology and Innovation Partnership (KTIP) leverages the specialized expertise of multiple organizations to meet the needs of current and future employers and employees to boost economic development and creation of highly skilled jobs. Keene State and its Optics Engineering and Precision Manufacturing programs join with the City of Keene, private partners, Hannah Grimes Center for Entrepreneurship, Monadnock Economic Development Corporation, and the New Hampshire Idea Network of Biomedical Research Excellence (NH-INBRE, which includes UNH, Dartmouth, and other private and community colleges) and plans to locate a business and technology hub here in Keene.



UNH Career and Professional Success

UNH’s dedication to student success in academics, research experiences and internships is returning great dividends for graduates. More than 80 percent of recent UNH graduates took part in at least one internship, and 96 percent were either employed, pursuing further education or entering the military or other public service programs. UNH’s Career and Professional Success program works directly with more than 2,500 employers to recruit UNH graduates, and 91 percent of them reported that they were satisfied with the UNH recruiting experience.

KSC partners with CTE centers

Keene State College is partnering with area public schools, River Valley Community College, and all New Hampshire career and technical education (CTE) centers, as well as selected CTEs in Massachusetts, and Vermont. The partnership supports pathways to college for CTE students who complete their high school program with a B grade or better. They can then apply eight college credits to their bachelor’s degree at Keene State, choosing from programs in Architecture, Biology, Business Management, Construction Safety, Safety & Occupational Health Applied Sciences, Sustainable Product Design & Innovation, and more.



COVID testing lab expands services to NH long-term care facilities and K-12 schools

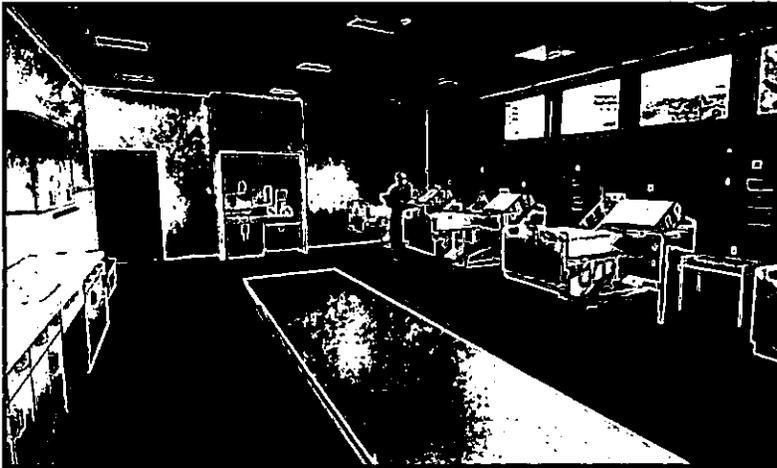
The state-of-the-art COVID testing lab that UNH opened in fall 2020 to handle tests from students, faculty and staff has been wildly successful – and ambitious. UNH lab technicians and students, who gained hands-on experience during an unprecedented global health crisis, processed a one-day record of 6,000 tests on Sept. 9, 2021.

Since its inception as a campus resource, the lab has become one of the state's most important tools in controlling COVID-19, expanding its testing service to more than 40 long-term care facilities and to an increasing number of K-12 schools in the state. Now processing samples from a wide range of ages, including the most vulnerable populations at both ends of the spectrum, the UNH lab provides a critical service to New Hampshire and its residents.



[LEARN MORE](#)





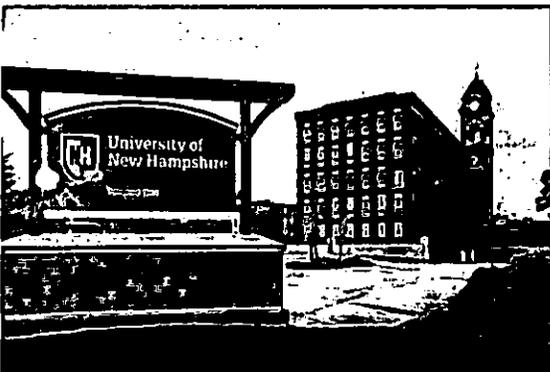
Health Sciences Simulation Center

Responding to the growing demand for health care workers, UNH opened a new Health Science Simulation Center this fall that will train a new generation of highly skilled students. The 20,000-square-foot center includes offices, high-tech classrooms and fully equipped simulation labs that mimic hospital, clinic, primary care and other health care settings. In 2019, the state Legislature provided \$9 million to UNH to fund a health sciences initiative aimed at addressing the health care workforce shortages in the Granite State.

"New Hampshire's health care workforce shortage has become even more critical with the COVID pandemic and behavioral health crisis," says Michael Ferrara, dean of the College of Health and Human Services. "The Health Sciences Simulation Center will allow us to bring together students in many disciplines to work in real-world clinical settings, promoting dialog, conversations and co-learning."

UNH Manchester launches biotechnology graduate program

In response to market demand and the growth of its undergraduate program in biotechnology, UNH Manchester launched a Master of Science program in fall 2021 in Biotechnology: Industrial and Biomedical Sciences.



Manchester is at the center of the burgeoning biotechnology industry since the creation of the Advanced Regenerative Manufacturing Institute (ARMI) and its BioFabUSA program, which is creating an industry to regenerate human tissue and organs. As a partner in ARMI's workforce development initiatives, UNH Manchester is

expanding its biotechnology offerings to promote workforce development in this growing field. "ARMI, BioFabUSA and its member companies are doing a tremendous job driving breakthroughs in regenerative medicine, and it has created a need for skilled workers in the biomanufacturing sector," says Mike Decelle, dean of UNH Manchester. "The goal of our biotechnology program is to ensure the workforce that is needed for this industry to succeed, which will ultimately have an economic impact on our community and state."



Climate Studies undergraduate program launched

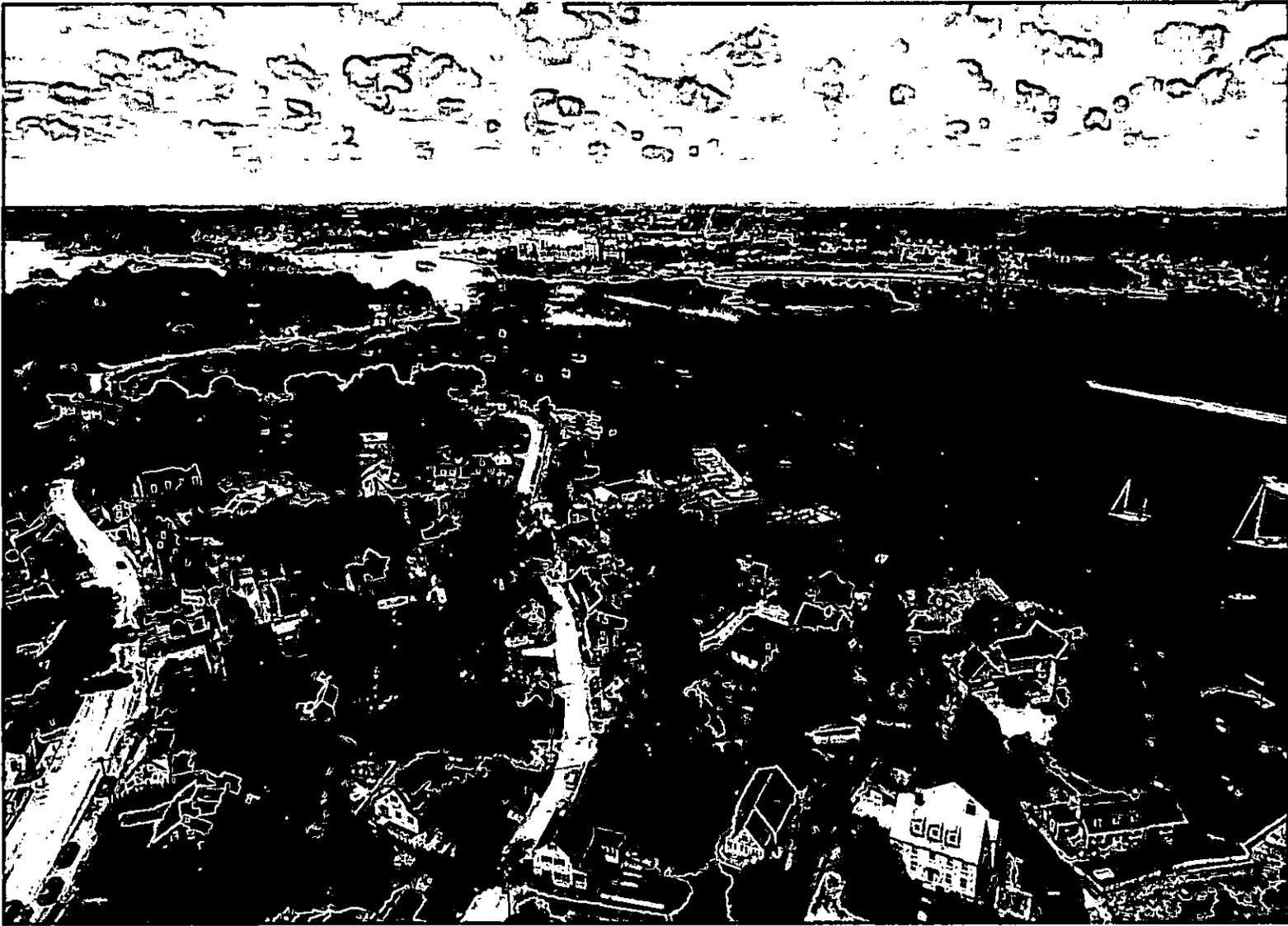
Plymouth State University launched a new bachelor's in climate studies program in 2021, one of very few offered in the country. PSU's climate studies program prepares students for private and public sector careers in fields such as emergency management, conservation, public policy, tourism, science journalism, planning, and a variety of other fields in which climate concerns play a role. The program addresses the need for trained professionals for private industry and government working in the various aspects of climate change.

Granite State College to train 4,000 New Hampshire educators in online teaching

Granite State College was selected to provide training for up to 4,000 PK-12 teachers beginning in the summer of 2021 on behalf of the New Hampshire Department of Education (NHDOE). This grant-funded training offers certified New Hampshire PK-12 educators the opportunity to further develop skills related to creating effective virtual classrooms and facilitating engaging online instruction. The dynamic five-week online micro-credential is facilitated by faculty at Granite State College's School of Education.



65% of UNHM and UNH Franklin Pierce Law school grads are employed in NH



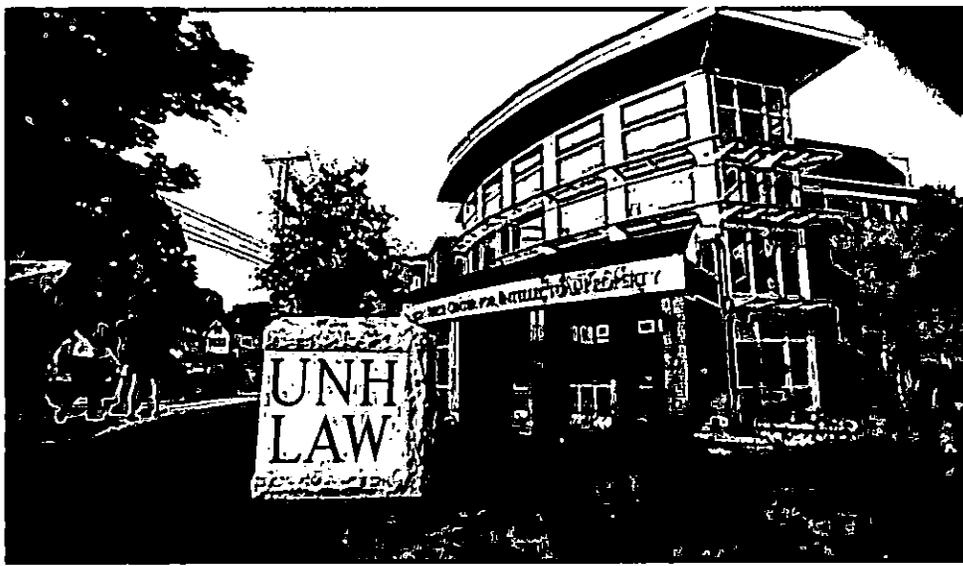
Granite State College partnership strengthens NH State government workforce

New Hampshire State employees will benefit from tuition cost savings as the result of a new partnership between the State and University System of New Hampshire's Granite State College. This partnership applies to GSC's undergraduate and graduate degrees and certificates, creating opportunities for growth for staff members across all state agencies.

"The State highly values its dedicated and hard-working employees. Our partnership with USNH through Granite State College will support professional development and adds tremendous value for our employees and their families. Access to high quality, relevant, and affordable higher education strengthens our state and helps individuals achieve personal, career, and life goals," said Governor Chris Sununu.

Granite State College is uniquely positioned to work alongside the State of New Hampshire. As the only institution in New Hampshire that is exclusively focused on working adults, GSC offers degree programs that align with workforce needs and are offered 100% online, allowing working professionals to earn a degree on their schedule.





“The Legal Impact” podcast grows audience for legal analysis of news and current events

The UNH Franklin Pierce School of Law is building an audience for its podcast, “The Legal Impact,” launched in 2019 and featuring faculty experts who offer a legal angle on current events. Subjects range from U.S. Supreme Court decisions, COVID-19, sports law, technology and more, including a recent episode on jury selection for the murder trial of Derek Chauvin, a White former police officer charged with killing George Floyd, a Black man from Minneapolis whose death sparked nationwide Black Lives Matter protests.

UNH program helps NH drone business win NOAA research grant

A UNH program that helps New Hampshire small businesses grow by accessing federal grant funding has notched its first major success. Portsmouth-based Nearview, a participant in UNH’s FOSTER* program, has received \$150,000 from the National Oceanic and Atmospheric Administration (NOAA) to develop an artificial intelligence model for its aerial drone environmental services.

“The staff and consultants of the FOSTER program were really instrumental in helping Nearview win this award,” says Stefan Claesson ’08G, principal scientist and owner of Nearview. “From review of proposal narratives to hammering out budget details, they helped us to navigate a complex application process. We are grateful for the support we received and look forward to working with the FOSTER program on future SBIR proposal opportunities.”



**FOSTER is an initiative led by UNHInnovation that seeks to increase the number of Granite State small businesses, particularly those in underserved communities, that successfully compete for federal research and development funding.*

Fellowship will match UNH students’ skills with community needs

The new Small Family Community Fellowship will provide opportunities for New Hampshire students to apply what they learn in the classroom to important needs in communities across the state. The effort is the brainchild of John W. Small ’76, former USNH trustee and chairman.



“I decided to make a significant donation for a fund that aligns with President Dean’s strategic priority to embrace New Hampshire, because I believe that we need to continue to help New Hampshire students, residents and legislators better understand just what a gem we have in UNH,” Small said.

Through paid positions with community organizations and businesses, the fellowships combine students’ academic pathways with public service.

Wayfinding: Maps of the White Mountains at PSU

The Museum of the White Mountains at Plymouth State University had its first in-person exhibition since the pandemic. Titled “Wayfinding: Maps of the White Mountains,” the exhibition featured a special series of related lectures and presentations exploring the long history of maps and map makers of the White Mountains of New Hampshire.



Plymouth State University marks 150th Anniversary with Founders Day event

Plymouth State University marked the 150th Anniversary of its founding with a virtual celebration featuring the reading of a commendation by New Hampshire Governor Chris Sununu, remarks from notable alumni and state legislators, recognition of alumni and the sealing of a time capsule. Known as "Founders Day", the event marks the date in 1871 when the New Hampshire State Normal School in Plymouth welcomed its inaugural class. In 1939, New Hampshire's Legislature officially recognized the school's increased stature with a new name, Plymouth Teachers College, which was among the first in New England to be accredited. The name was further revised in 1963 to Plymouth State College of the University System of New Hampshire, and became Plymouth State University in 2003.

"Plymouth State University is a visionary institution at the hub of an ever-growing creative community where students, faculty, staff and alumni are actively transforming themselves and the region, where ideas and solutions for a connected world and New Hampshire's future leaders are developed through the university's interdisciplinary Integrated Clusters learning model, and through entrepreneurial, innovative and experiential learning," noted Governor Sununu.

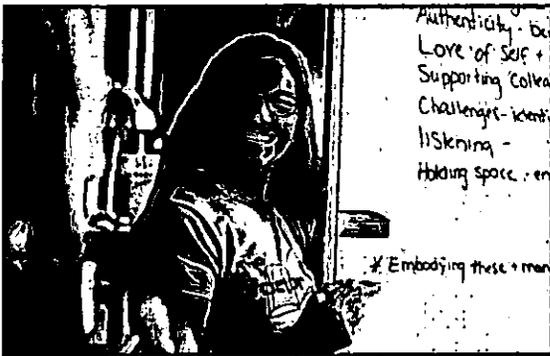




UNH nursing program receives highest-ever national ranking

UNH's nursing department ranked 63rd for its Master's programs from *U.S. News and World Report* in 2021, making it the highest ranked among all master's nursing programs in northern New England. "Nurses are perhaps our nation's most important frontline health care workers, and this ranking is a testament to the quality of education our students receive, which sends them into the health care workforce as prepared and highly competent professionals," says Mike Ferrara, dean of the College of Health and Human Services.

Enrollment in graduate nursing at UNH has grown steadily over the past several years, with programs added to address critical needs, such as nurse practitioner programs that focus on adult/gerontology acute care and psychiatric mental health.



Plymouth State awarded \$1.92 million federal grant to expand youth mental health services throughout NH

In order to help to meet the need for mental health support in New Hampshire, particularly in the North Country and Lakes Region, Plymouth State University has been awarded a \$1.92 million four-year grant from the Behavioral Health Workforce Education and Training Program for Professionals. The University will focus its efforts on integrated prevention and clinical intervention and evidence-based treatment for at-risk children, adolescents and transitional-age youth (18-25 years). The funds will also be used to focus on New Hampshire's opioid crisis and post-pandemic behavioral health needs. The grant, funded by the U.S. Department of Health and Human Services, will permit the University's professional counseling and school psychology programs to recruit more students by offering stipends during their internships, as most graduate students are unable to work while completing their coursework and clinical internships. The majority of PSU's graduates obtain jobs in New Hampshire upon graduation; thus, the grant will lead to an increase in the number and quality of mental health professionals in the state.

\$25,000 grant to support faculty development

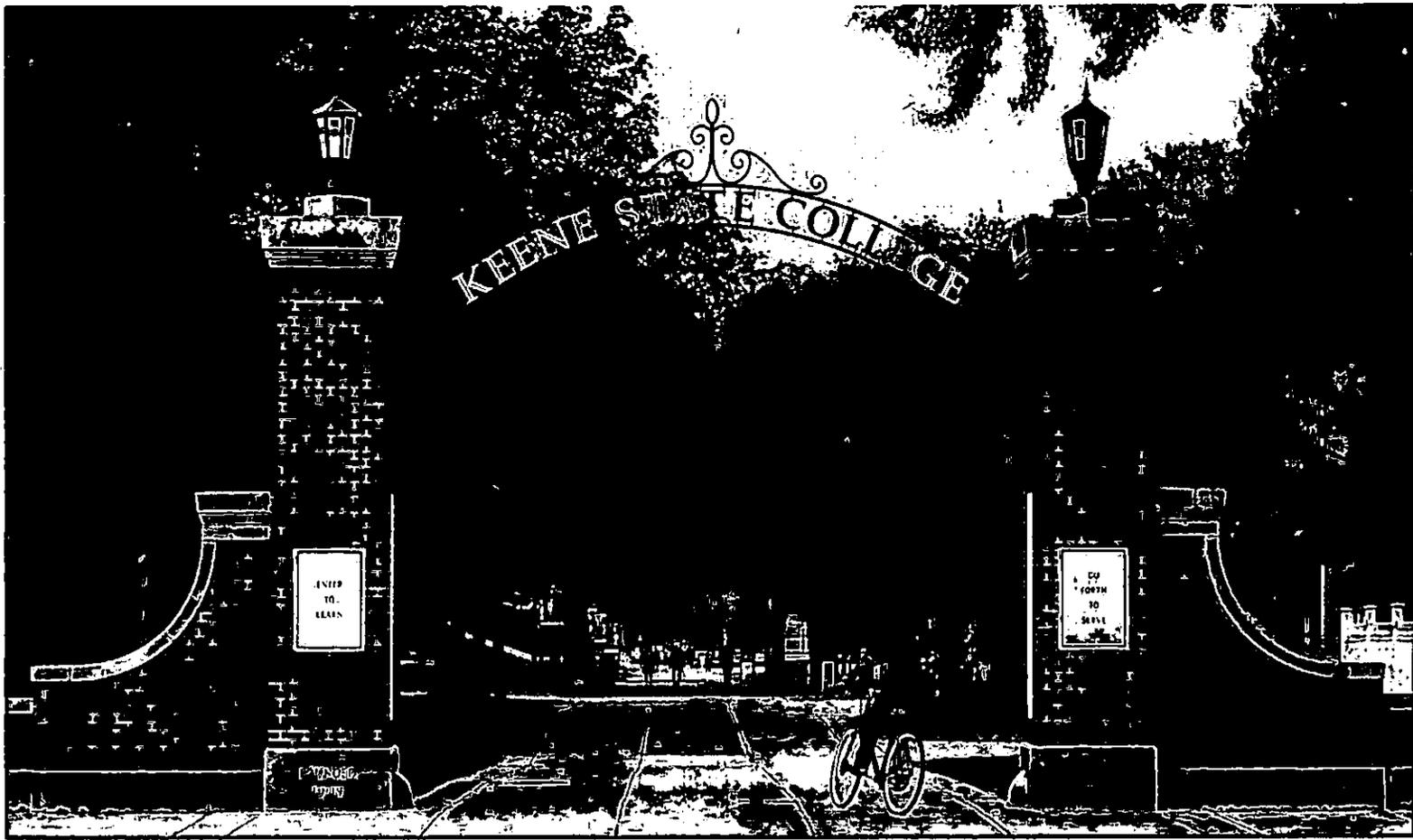
Granite State College is expanding its innovative faculty development efforts, allowing all undergraduate faculty to strengthen their skills and enhance online engagement strategies for student success. A \$25,000 grant from the Davis Educational Foundation is set to help the College to expand the reach of its existing faculty development efforts within the undergraduate faculty community, which is largely comprised of adjunct instructors who are active professionals in their respective fields.



The grant from the Davis Educational Foundation will help the College develop a new online microcredential opportunity focused on skills and strategies proven to increase both faculty and student engagement.

This initiative will be led by a virtual adjunct faculty coaching team and the College's full-time faculty. The micro-credential and faculty coaching series will cover topics such as student preparedness, faculty engagement, faculty-led learning interventions, and academic engagement data, such as student outcomes evaluation and college-wide success data.

As a leader in adult-focused higher education for almost 50 years, Granite State College was recently named the #1 Best College for Adult Learners in New Hampshire by *Washington Monthly* and recognized by *U.S. News & World Report* on its annual compilation of best online degree programs.



Keene State College celebrates its first-generation students

Historically, nearly 50% of Keene State College students are first to attend college in their families. KSC's TRIO and Aspire programs support these students through proactive advising, building student skills, and guiding students in connecting daily actions to long-term goals. In November 2020, KSC TRIO and Aspire invited Tara Westover, author of *Educated*, to discuss first gen stories.

"Her story helps you realize you, too, can reach your goals with hard work and determination," said Dilyn McColligan '23. In addition, President Melinda Treadwell '90 spoke about her experience as a first-generation student at Keene State. "Hearing Melinda speak to us afterward about her experiences being first-gen made me cry. One of my absolute favorite parts of Keene State is how involved and caring our president is," said Rebecca Fagga '23. Another first-generation student, Smriti Gurung, '24, shared "The whole experience makes me feel seen and wanted."

UNH awarded \$3.2M grant to prepares low-income and first-generation students for college

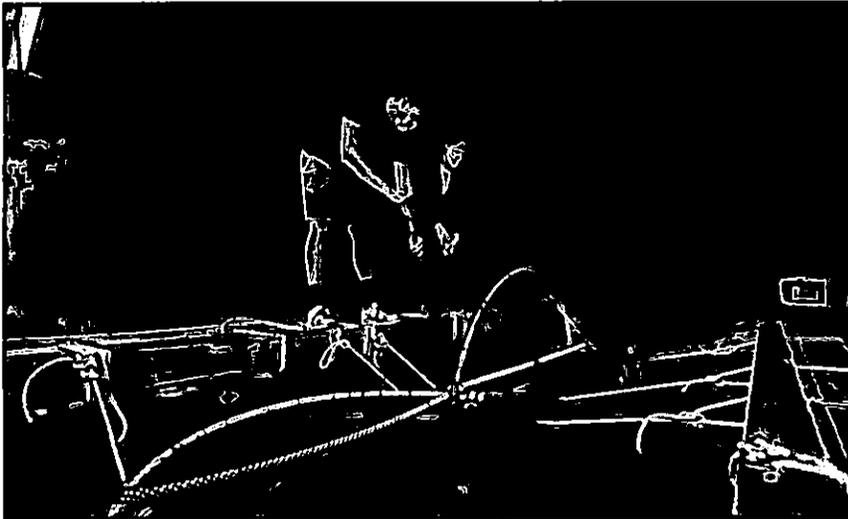
Low-income and first-generation middle and high school students in New Hampshire will gain valuable support to help prepare them for college through a new grant awarded to UNH. The US Department of Education awarded UNH's Educational Talent Search a five-year grant of \$3.2 million to support more than 1,160 students.

"This grant will allow us to help so many underserved but academically qualified students navigate and complete secondary schooling and guide them into higher education options that will introduce them to future careers," said Debora McCann, ETS director. The program serves 15 high schools and 14 middle schools across the state.



UNH receives federal grant to perform surveillance for COVID-19 variants

UNH researchers will start genomic testing of positive cases of the COVID-19 virus to help monitor for any variants of concern that may be found in New Hampshire. UNH received a grant of \$757,000 from the National Institutes of Health to perform the testing UNH's COVID-19 lab and the Hubbard Center for Genome Studies. In partnership with the NH Public Health Laboratories at the NH Department of Health and Human Services, UNH scientists will genetically sequence roughly 12,000 stored human specimens previously confirmed by diagnostic tests to contain the virus, as well as any new positive cases that become available. The objective of the project is to determine the genomic sequence of a large majority of the COVID-19 cases identified in infected individuals in the state and to apply that knowledge to better identify any variants of concern, like the recent Delta or UK variants.

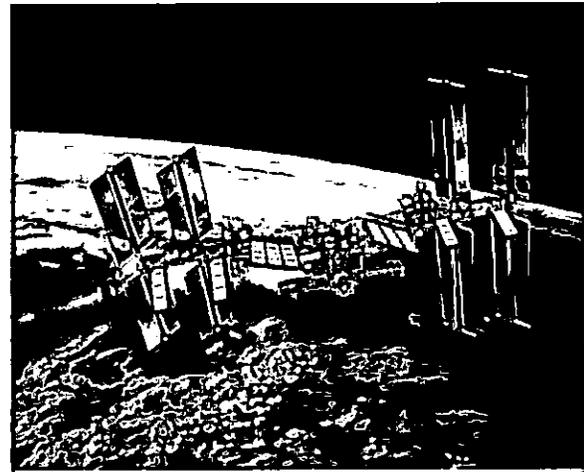


UNH among the nation's top 5 universities for sustainability

Despite tougher standards and competition from more than nearly 700 colleges and universities, UNH has reaffirmed its standing as one of the nation's most sustainable higher education institutions. The Association for the Advancement of Sustainability in Higher Education renewed UNH's STARS Platinum rating in September, placing UNH fifth in US higher education. In 2011, UNH was one of the first universities to achieve a STARS rating when it achieved gold status, and it rose to platinum in 2017. In September, UNH was also ranked ninth among the "Coolest Schools of 2021" by the Sierra Club. A recent UNH initiative the club cited was UNH's B Impact Clinic, which trains UNH students in B Corp certification methodology and matches them with local companies to help them evaluate and improve their sustainability practices.

Keene State College awarded STEM grant

Keene State was awarded a grant through the National Science Foundation Scholarships in Science, Technology, Engineering, and Mathematics (S-STEM) program. The program provides scholarships, research opportunities, and academic and professional development support for academically talented, financially eligible students majoring in Chemistry or Biology at Keene State College. Students are provided with four-year scholarships, which are on average \$6,000 to \$8,000 per year with demonstrated financial need, on top of any other financial aid students may receive. The program also provides peer course assistance and mentoring, paid research opportunities, internships, career preparation and a learning community with other students.



UNH Manchester student research selected for space mission

A research project created by students at UNH Manchester is one of five student proposals selected by NASA to be sent to the International Space Station. The UNHM experiment will compare how bacteria grow and mutate in space and on Earth, and the results may help medical researchers find solutions to the challenges of antibiotic resistance.

The UNHM team will also enlist New Hampshire middle schoolers as citizen scientists in the experiment, allowing them to contribute to the project through hands-on STEM activities. The launch is expected early next year, and the UNH Manchester team plans to travel to the Kennedy Space Center to watch it in person.



USNH awards the majority of the state's bachelor's degrees in biosciences and engineering (58%)



USNH awards the majority of the state's bachelor's degrees in teacher education (55%)



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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 financial statements of the business-type activities of the University System of New Hampshire (the System), a component unit of the state of New Hampshire, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



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The Board of Trustees
University System of New Hampshire

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the System as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Quincy, Massachusetts
October 25, 2021

Management's Discussion and Analysis

June 30, 2021 and 2020 (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, 2021 and 2020. This analysis provides a comparison of significant amounts and measures to prior periods and, where appropriate, presents management's outlook for the future.

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

II. Economic Outlook

The COVID-19 pandemic exacerbated the already changing and challenging higher education environment. The impact of the pandemic was layered onto existing pre-pandemic trends such as declining demographics in both New Hampshire and New England, increases in student financial need, etc. USNH was and continues to be committed to the health and safety of students, faculty, staff, and all communities in which it operates. During fiscal year 2021, USNH successfully navigated the challenges of the COVID-19 pandemic and welcomed students to both in person and online instructional opportunities and college experiences. This accomplishment came at a significant financial cost as USNH spent approximately \$64 million in pandemic-related costs, of which approximately \$50 million was for surveillance testing. USNH received federal and state support to help offset a significant amount of the costs incurred during fiscal year 2021.

In June 2020, USNH leadership and the board of trustees adopted plans for a multi-year cost restructuring program for fiscal years 2021 through 2023 which targeted taking approximately 10% out of the cost structure by fiscal year 2023. Although the full 10% reduction may not be necessary by fiscal year 2023 based on other various factors including enrollment levels, state support, etc., the primary elements of the cost restructuring program which included general cost reduction initiatives, systemwide shared service initiatives as well as campus-specific initiatives will position USNH for the future beyond fiscal year 2023. The USNH board of trustees approved COVID enhanced voluntary separation incentive programs to help facilitate the necessary cost reductions and approximately 484 full-time benefited employees participated in that program and left USNH employment as of June 30, 2021.

USNH also continues to seek new opportunities to become more efficient and improve service levels which is demonstrated by another recent action. In July 2021, building on the complementary missions of Granite State College (GSC) and the University of New Hampshire Manchester (UNH Manchester), the USNH board of

trustees voted to establish a single, merged college located in the Manchester-Concord corridor. The merged entity is intended to become a college within UNH and will retain the name Granite State College. A second key initiative of the integration will be to combine GSC and UNH online learning enterprises to strengthen, promote and expand online education for all USNH institutions. USNH leadership and the board continue to work with the State to facilitate the proposed merger activities.

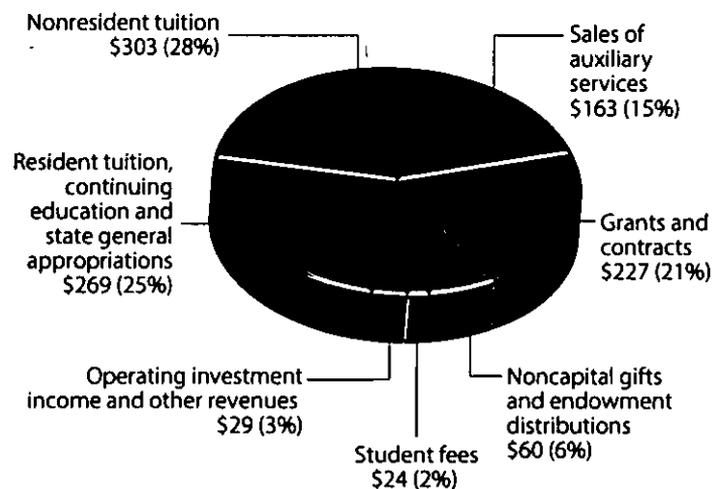
USNH continues to offer on-campus and hybrid learning opportunities and again welcomed students back to the residential campuses this fall. USNH continues to focus on providing high-quality programs, safe campuses for our communities and those we serve, as well as plans for the future in the changing higher education market. The remainder of this report describes the results of financial operations for the year ended June 30, 2021, with comparisons to prior years.

III. Financial Highlights

A. Revenues

Chart 1 below shows USNH's revenue streams, including those classified as non-operating revenues per GASB standards, totaling over \$1 billion in fiscal years 2021 and 2020. Given our tri-fold mission of instruction, research, and public service, the vast majority of USNH revenues are generated by providing educational and auxiliary services. Total gross revenues increased \$46 million (4.5%) in fiscal year 2021. The largest increase was related to an increase in grants and contract revenue by 32% (\$56 million), primarily due to the federal Cares Act for Higher Education Emergency Relief Fund (HEERF) and the State of NH Governor's Office for Emergency Relief and Recovery (GOFERR) awards to mitigate costs related to COVID-19. For fiscal year 2021, USNH received \$39 million in institutional HEERF awards, of which \$19 million were unearned as of June 30, 2021, and expected to be realized during fiscal year 2022. GOFERR provided \$28 million in aid during the fiscal year 2021, and \$5 million in fiscal year 2020, for a total of \$33 million to help mitigate costs related to COVID-19 pandemic.

Chart 1: 2021 Gross Revenues by Source
Total = \$1+ Billion
(\$ in millions)

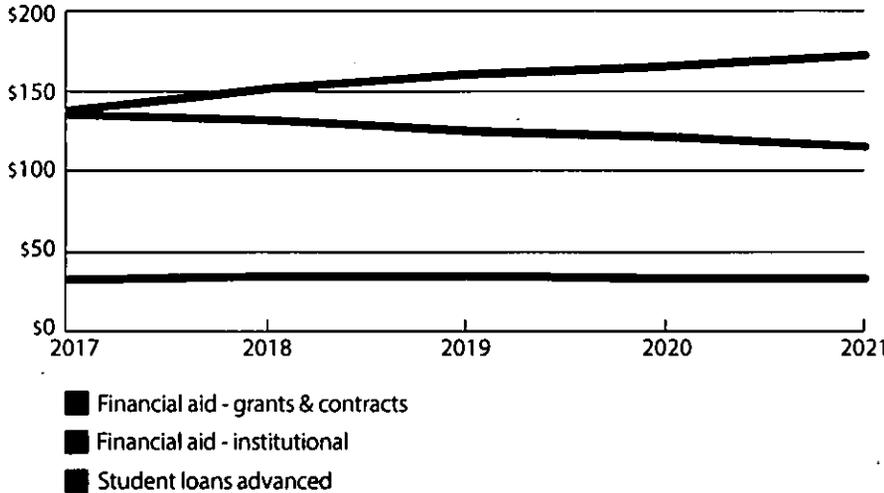


As shown in Chart 2 below, institutional financial aid expenditures continue to surpass aid provided by grants and student loans issued. USNH has provided over \$1.7 billion in direct institutional financial aid to students over the past ten years. Approximately \$329 million (20%) of this total was from grants and contracts. Over \$1 billion (73%) came from campuses' general funds, and the remaining 7% (\$123 million) was provided by gifts and athletics programs. USNH continues to focus on affordability of its offerings with the goal of limiting student and family loan debt. Also, for fiscal year 2021, students received \$12 million in direct aid for COVID-19 pandemic relief.

Their enrollment strategy remains focused on attracting exemplary students, while adapting to the challenge of a pandemic. Approximately 51% of new UNHD students in the fall of 2020 ranked in the top 25% of their high school class reflecting the continued quality of the population. UNH continues to work on four strategic principles to drive UNH to become one of the top 25 public universities in the US. These include enhancing student success and well-being, expanding excellence, embracing New Hampshire, and building financial strength.

Chart 2: Student Aid Trends

(\$ in millions)



In fiscal year 2021, undergraduate tuition rates were held flat for NH students, and total nonresident tuition revenues increased 0.9% (\$2.7 million) over the prior year. For the past three years, approximately 51% of USNH students were NH residents when calculated on a full-time equivalency basis. New England has historically been known as a premier location for the pursuit of higher education, whether at a public or private institution. While that is still true, regional school-age populations are expected to decrease over time, resulting in more competition for the smaller number of NH students.

USNH is working to ensure New Hampshire students are prepared to meet the needs of the State's workforce. While financial aid from grants has remained consistent for the past several years, institutional financial aid grew 4.2% (\$7.1 million) in fiscal year 2021 after a 3.1% (\$5.0 million) increase in fiscal year 2020. USNH has also made significant changes in the way it awards financial aid. The Granite Guarantee program, which covers the cost of tuition for all federal Pell-grant eligible New Hampshire students, is now in its third year. This program is funded with restricted gifts as well as unrestricted sources. The State is also partnering in this area by renewing its Governor's Scholarship Fund for NH resident students. New

As seen in Table 1 below, full-time equivalent (FTE) student enrollment has steadily declined 8.8% since fiscal year 2017 for all institutions combined mainly due to New England demographics and market changes. UNH's Durham campus, despite the pandemic, had stable freshmen applications over the past three years as shown in Table 2.

Hampshire's school population data by age grouping suggests that our enrollment challenges will increase in future years. USNH continues to focus on multi-year planning to address the demographic and market changes ahead.

Table 1: Full-Time Equivalent Credit Enrollment

For the Fall of Each Fiscal Year

	2017	2018	2019	2020	2021
UNH (all campuses)	15,473	15,669	15,629	15,141	14,750
PSU	4,641	4,694	4,772	4,409	4,260
KSC	4,160	3,758	3,487	3,434	3,111
GSC	1,584	1,446	1,468	1,444	1,452
Total USNH FTEs	25,858	25,567	25,356	24,428	23,573
NH Resident	13,240	12,940	12,842	12,413	12,067
Nonresident	12,618	12,627	12,514	12,015	11,506
Total USNH FTEs	25,858	25,567	25,356	24,428	23,573

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

For the Fall of Each Fiscal Year

	2017	2018	2019	2020	2021
Freshmen applications received	19,076	18,397	18,474	18,040	18,797
Acceptances as % of applications	80%	83%	84%	84%	85%
Enrolled as % of acceptances	19%	20%	20%	18%	16%

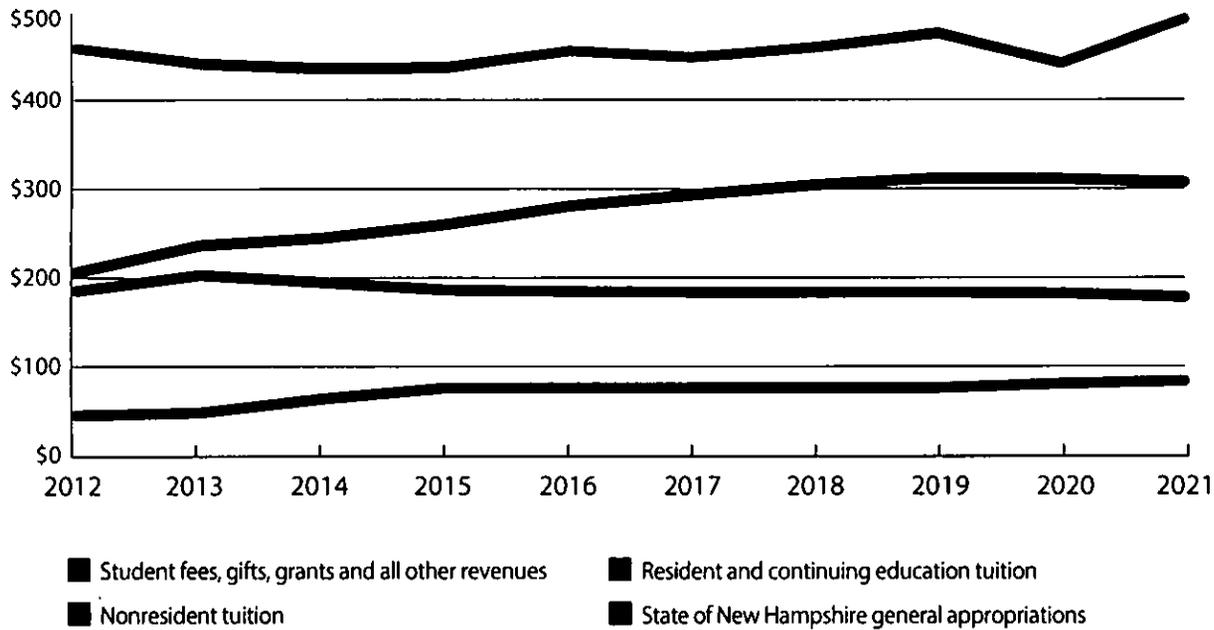
* Comparable data for other campuses is available upon request.

Chart 3 below shows USNH's major revenue stream trends for the past ten years. As seen in the graph, once the State appropriation was partially restored in fiscal year 2013, USNH held resident tuition rates flat from fiscal years 2013 through 2015. Inflationary increases in the resident tuition rates were added for fiscal years 2016 through 2020, and tuition held flat in fiscal year 2021. During fiscal year 2020, auxiliary revenue decreased by \$48 million (22%) compared to fiscal year 2019, while the decrease in fiscal year 2021 was \$4 million compared to fiscal year 2020. The fiscal year 2020 decrease was due to room and board refunds to students when residential campuses closed their dorms and dining facilities in response to the COVID-19 pandemic. Residential and dining halls re-opened in Fall 2020 following a hybrid model with less capacity, to accommodate social distancing and to provide quarantine facilities as well as lower demand primarily attributed to COVID. In fiscal year 2021, USNH revenues included one-time federal and State grant revenue of \$60 million, including \$39 million in student refund recoveries. As evidenced by the financial aid growth shown in Chart 2, USNH is committed to working with the State to ensure that New Hampshire's students have access to quality education at an affordable price.

Chart 3: Ten Year Revenue History

Before Application of Student Financial Aid

(\$ in millions)



B. Expenditures

USNH's expenses (including expenses classified as nonoperating per GASB standards) increased \$80.3 million or 10% over the fiscal year 2020 level; and fiscal year 2020 expenses decreased by \$8.2 million or 1% over fiscal year 2019. The grant supplies and services expense increase of \$42 million (117.4%) was mainly driven by \$25 million in testing and Personal Protective Equipment costs funded by the State of NH GOFERR award, and \$12 million in student aid relief funded by HEERF. Nongrant compensation costs increased by \$35 million (7.4%) primarily as a result of approximately 484 employees participating in COVID-related voluntary separation incentive programs approved by the USNH Executive Committee on June 11, 2020 for a total one time cost of \$56 million in fiscal year 2021. Although the total cost was recognized in fiscal year 2021, the programs are salary continuation programs which delayed larger cash impact to fiscal year 2022. This cost was partially offset by salary savings realized in fiscal year 2021 which were generated as a result of restructuring initiatives as well as temporary savings associated with COVID.

During fiscal year 2021, USNH continued to develop multiple shared service centers for the System in the areas of procurement, information technology, financial services, human resources, research administration and other back-office and administrative services. The primary goals of the restructuring efforts include improved service, cost savings, increased efficiencies, and reduced risk. As part of the financial restructuring, USNH established a new Financial Operation Center (FOC) that serves all campuses in the areas of accounts payable (external vendors and employee travel), payroll, non-student accounts receivable and general accounting and financial reporting.

Chart 4: Expenses by Functional Classifications

(\$ in millions)

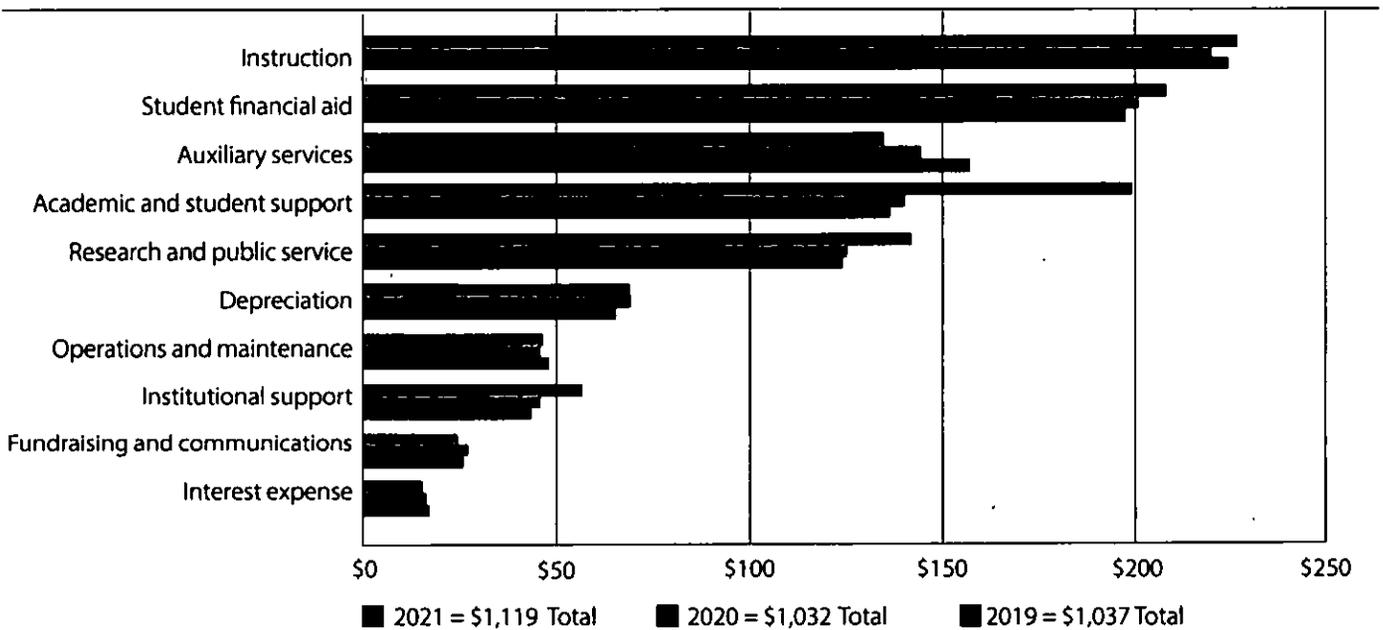


Chart 4 displays USNH's expenses for the past three fiscal years by functional, rather than natural, classification. The increases in financial aid discussed above are clearly depicted in the graph. The costs related to COVID-19 mitigation strategies and the voluntary separation incentive programs are reflected in all functional classifications, except for testing (\$50 million), the most significant impact, reflected in the student services category (academic and student support) incurred during fiscal year 2021. Auxiliary services expense decreased \$10 million over prior year as a result of a reduction in athletics and dining activity due to the hybrid model with a blend of in-person and online learning during the 2020-2021 academic year to mitigate the spread of COVID-19. (Additional detail on operating expenses by function can be found in Note 13 to the Financial Statements.)

C. Capital spending

The campuses had several major capital projects completed during fiscal year 2021 which included the Campus heating and cooling improvement (\$4 million), Kendall Hall renovation (\$3 million), MacFarlane Greenhouse building renovation (\$3 million), and improvements to Telecommunications Center (\$3 million), all at UNH.

From fiscal years 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 \$130 million were used to supplement the state appropriations. Effective July 1, 2020, the State of New Hampshire appropriated \$42 million in capital funds for the Biological Sciences Spaulding Hall at UNH, and KSC's Elliot Student Service Success Center to be spent through June 30, 2025. For fiscal year 2020, \$10 million of the state capital appropriation was used for the Biological Sciences Spaulding Hall at UNH. In fiscal year 2021, UNH spent \$5 million of the \$9 million state appropriation to add nursing program capacity with additional specializations in acute care and psychiatric mental health. The nursing program construction project began in fiscal year 2021. However, even with the additional state capital appropriation, there are still several buildings in need of improvement at each campus. USNH campuses must strategically prioritize the available limited funding for capital assets, while at the same time not allowing deferred maintenance needs to escalate. This work is needed

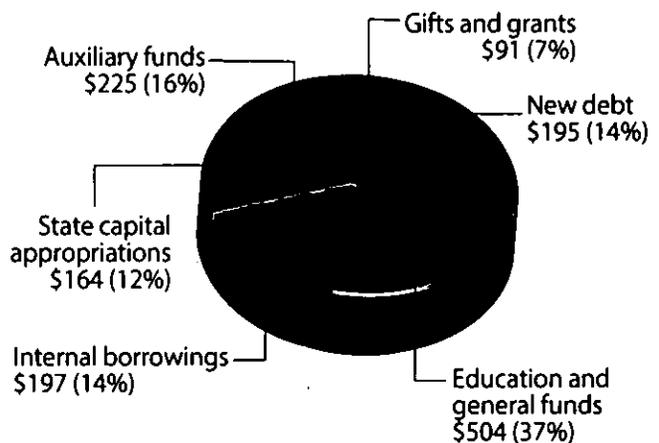
to ensure USNH can meet the education and experiential needs of its students. In addition, USNH is only authorized to issue debt for self-supporting, auxiliary projects. The related debt service is then funded by student fees for each type of auxiliary service (housing, dining, or recreation). For fiscal years 2021 and 2020, no new debt was issued.

Chart 5 below shows the funding sources for USNH's capital spending over the past fifteen years. USNH spent over \$1 billion during this time to construct and renovate buildings and infrastructure at all campuses. General funds of \$504 million were the largest sources of funding of capital projects followed by debt issuances of \$195 million. Plant and equipment depreciation expenses of \$611 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, 2007-2021

Total \$1.4 Billion

(\$ in millions)



D. Investing Activities

Cash and short-term investment balances totaled approximately \$216 million and \$224 million on June 30, 2021 and June 30, 2020, respectively. (See Note 2 to the Financial Statements for additional information on cash, cash equivalents and short-term investments.) USNH's long-term investments are primarily derived from endowment gifts intended to be invested in perpetuity. With Board approval USNH also invests select large, current-use gifts, and unrestricted balances held centrally, as quasi-endowment funds. These amounts are invested in one of three venues depending on whether the donor contributed to a campus, the UNH Foundation (UNHF), or the Keene Endowment Association (KEA). The investment pools are managed to provide the highest rate of return over the long term given an acceptable level of risk as determined by the responsible fiduciaries. The USNH Consolidated Endowment Pool holds funds for the benefit of all campuses. The UNHF endowment pool holds funds for the benefit of UNH only, and the KEA pool holds funds for the benefit of KSC only. The USNH Board of Trustees has fiduciary responsibility for the USNH Pool, whereas the separate boards of UNHF and KEA have their own investment policies and are responsible for those investments. Below is a summary of USNH's endowment and similar investment values for the past three years.

Table 3: Endowment and Similar Investments Market Value Summary

(\$ in millions)

	As of June 30,		
	2021	2020	2019
USNH Pool	\$ 663	\$534	\$542
UNHF Pool	297	236	236
KEA Pool	17	14	10
Funds held in trust	19	15	16
Life Income/Annuity Funds	<u>5</u>	<u>4</u>	<u>5</u>
	<u>\$1,001</u>	<u>\$803</u>	<u>\$809</u>

While the two larger pools are primarily invested in funds, the KEA pool primarily holds individual stock and bond investments. As shown in Table 4 to the right, the KEA pool net gains over the past three years averaged 12.3% and the USNH and UNHF pools averaged 12.0% and 11.5%, respectively, before distributions. During fiscal year 2019, the Investment Committee of the USNH Board of Trustees voted to change the target asset allocations for investments in the USNH Endowment pool. The changes included increasing the targets for public and private global equities, while also reducing the targeted level of flexible capital investments. These changes will be incorporated over several years to ensure prior fund commitments are met. All three pools' returns benefited from the historically high market valuations during fiscal year 2021.

Distributions from the endowment and trust funds totaled approximately \$38 million in fiscal year 2021. This compares to \$35 million for fiscal year 2020. The difference is primarily due to USNH beginning to payout on a quasi-endowment created several years ago to support systemwide debt service payments. Distributions of approximately \$25 million were made from the USNH pool and trusts, along with \$13 million from the UNHF pool and \$436,000 from the KEA pool. Distributions represent a smaller percentage of the USNH pool because USNH holds several quasi-endowment funds for future, rather than current use. Volatility in returns has resulted in a limited number of endowment funds having market values less than the original gift value ("underwater" funds). The net positive returns for fiscal year

2021 resulted in a decrease in these underwater funds. Of the 1,565 endowment funds maintained in the various endowment pools, 3 remained underwater at June 30, 2021. This compares to 123 underwater endowment funds at June 30, 2020. The endowment funds were underwater by \$397,000 at June 30, 2021, compared to \$2 million at June 30, 2020. (See Notes 4 and 12 for further information on endowment and similar investments.)

Table 4: Pooled Endowment Returns

	Year - Ended June 30,			Three Year Average
	2021	2020	2019	
USNH Pool				
Gross return	29.3%	1.9%	6.3%	12.5%
Investment management fees	<u>(0.6%)</u>	<u>(0.5%)</u>	<u>(0.5%)</u>	<u>(0.5%)</u>
Net return	28.7%	1.4%	5.8%	12.0%
Distributions	<u>(4.5%)</u>	<u>(4.2%)</u>	<u>(4.1%)</u>	<u>(4.3%)</u>
Net reinvested	<u>24.2%</u>	<u>(2.8%)</u>	<u>1.7%</u>	<u>7.7%</u>
UNHF Pool				
Gross return	29.4%	1.9%	5.6%	12.3%
Investment management fees	<u>(1.1%)</u>	<u>(0.8%)</u>	<u>(0.6%)</u>	<u>(0.8%)</u>
Net return	28.3%	1.1%	5.0%	11.5%
Distributions	<u>(5.6%)</u>	<u>(5.2%)</u>	<u>(3.8%)</u>	<u>(4.9%)</u>
Net reinvested	<u>22.7%</u>	<u>(4.1%)</u>	<u>1.2%</u>	<u>(6.6%)</u>
KEA Pool				
Gross return	23.3%	4.8%	10.9%	13.0%
Investment management fees	<u>(0.8%)</u>	<u>(0.7%)</u>	<u>(0.7%)</u>	<u>(0.7%)</u>
Net return	22.5%	4.1%	10.2%	12.3%
Distributions	<u>(3.2%)</u>	<u>(4.3%)</u>	<u>(4.5%)</u>	<u>(4.0%)</u>
Net reinvested	<u>19.3%</u>	<u>(0.2%)</u>	<u>5.7%</u>	<u>8.3%</u>

IV. Using the Financial Statements

A. Statements of Net Position

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

Table 5 below shows condensed information from the Statements of Net Position at June 30 for the past five years. Note that we have also included certain condensed information as of June 30, 2021 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)

	2017	2018*	2019**	2020	2021
Cash and short-term investments	\$ 213	\$ 206	\$ 224	\$ 224	\$ 216
Endowment and similar investments	730	781	809	803	1,001
Property and equipment, net	1,120	1,122	1,117	1,120	1,101
Other assets and deferred outflows of resources	<u>106</u>	<u>95</u>	<u>92</u>	<u>107</u>	<u>105</u>
Total Assets and Deferred Outflows of Resources	<u>2,169</u>	<u>2,204</u>	<u>2,242</u>	<u>2,254</u>	<u>2,423</u>
Derivative instruments - interest rate swaps	26	18	23	29	22
Postretirement medical benefits	56	90	83	91	86
Long-term debt	501	488	465	439	412
Other liabilities and deferred inflows of resources	<u>152</u>	<u>160</u>	<u>173</u>	<u>198</u>	<u>245</u>
Total Liabilities and Deferred Inflows of Resources	<u>735</u>	<u>756</u>	<u>744</u>	<u>757</u>	<u>765</u>
Net investment in capital assets	651	665	685	709	722
Restricted financial resources	454	481	495	497	606
Unrestricted financial resources	<u>329</u>	<u>302</u>	<u>318</u>	<u>291</u>	<u>330</u>
Total Net Position	<u>\$1,434</u>	<u>\$1,448</u>	<u>\$1,498</u>	<u>\$1,497</u>	<u>\$1,658</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 fiscal year 2017, endowment returns rebounded after net losses in the prior two years. The endowment gains were more moderate in fiscal years 2018 and 2019, slightly decreased in fiscal year 2020, and a large increase in fiscal year 2021, but overall increased \$271 million (37%) since fiscal year 2017, primarily due to favorable returns. Property and equipment, net, decreased in FY21 as capital expenditures were less than annual depreciation expense.

Deferred inflows and outflows of resources include changes in the fair value of USNH's interest rate swap derivatives, 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 fiscal year 2017 depending on the type of plan.

In fiscal year 2021, USNH completed a roll forward of the 2020 biennial actuarial valuation according to the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for our postretirement medical obligations. The result was an increase of \$5 million in deferred outflows of resources due to a decrease of the discount rate used. The fair value of interest rate swap obligations resulted in an \$7 million decrease in deferred outflows.

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

USNH has large liabilities related to long-term debt, postretirement medical benefits, and added in fiscal year 2021 \$40 million (\$56 million total, net of \$16 million paid in fiscal year 2021) in new liabilities related to one-time separation incentives programs. Bond and capital lease principal payments ranged from \$21 million to \$25 million for fiscal years 2019 through 2021. The postretirement obligations represent the actuarially determined value of medical benefits provided to certain current and former employees for various periods, including the remaining life of the participants in some cases. (See Notes 7 and 8 to the Financial Statements for additional information in this regard.) The other liabilities balance above includes accounts payable, accrued employee benefits, government advances refundable under the Perkins Loan Program, interest rate swap liabilities related to derivative instruments and unearned revenue. The decrease in unearned revenue in fiscal year 2021 is mainly due to \$14 million of student refunds in fiscal year 2020 related to COVID-19 campus closures that students elected to apply to the fall 2021 semester.

Net position is reported in three categories. The net invested in capital assets amount represents the historical cost of property and equipment reduced by total accumulated depreciation and the balance of related debt outstanding for certain auxiliary buildings. Restricted financial resources include balances of current and prior year gifts for specified purposes such as scholarships or academic programs, as well as campus endowment balances which were required to be invested in perpetuity by the original donors (\$307 million and \$296 million at June 30, 2021 and 2020, 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, 2021 is shown below.

Table 5A: Condensed Information from the Statement of Net Position as of June 30, 2021 Presented by Campus

(\$ in millions)

	University of New Hampshire Campuses & Foundation	Plymouth State University	Keene State College & Endowment Association	Granite State College	System- wide Office	Total University System of New Hampshire
Cash and short-term investments	\$ 185	\$ 30	\$ 20	\$24	\$ (43)	\$ 216
Endowment and similar investments	508	38	54	10	391	1,001
Property and equipment, net	744	184	165	7	1	1,101
Other assets and deferred outflows of resources	<u>59</u>	<u>5</u>	<u>7</u>	<u>1</u>	<u>33</u>	<u>105</u>
Total Assets and Deferred Outflows of Resources	<u>1,496</u>	<u>257</u>	<u>246</u>	<u>42</u>	<u>382</u>	<u>2,423</u>
Derivative instruments - interest rate swaps	-	-	-	-	22	22
Postretirement medical benefits	62	11	10	2	1	86
Long-term debt	163	92	88	-	69	412
Other liabilities and deferred inflows of resources	<u>117</u>	<u>26</u>	<u>22</u>	<u>2</u>	<u>78</u>	<u>245</u>
Total Liabilities and Deferred Inflows of Resources	<u>342</u>	<u>129</u>	<u>120</u>	<u>4</u>	<u>170</u>	<u>765</u>
Net investment in capital assets	579	92	76	7	(32)	722
Restricted financial resources	510	27	58	11	-	606
Unrestricted financial resources	<u>65</u>	<u>9</u>	<u>(8)</u>	<u>20</u>	<u>244</u>	<u>330</u>
Total Net Position	<u>\$1,154</u>	<u>\$ 128</u>	<u>\$126</u>	<u>\$38</u>	<u>\$212</u>	<u>\$1,658</u>

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

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

Table 6 shows condensed information from the Statements of Revenues, Expenses and Changes in Net Position for the five years ended June 30, 2021.

The net tuition and fees revenue in these statements reflects revenue earned from enrolled students for academic programs, classes, and related fee-based services. Auxiliary services revenues reflect self-supporting activities which provide non-instructional support in the form of goods and services to students, faculty, and staff upon payment of a specific user charge or fee. These services include housing, dining, Division I athletics, health, recreation, transportation, student union and other programs. Grants and contracts revenues reflect amounts reimbursed by USNH sponsors including the US government, State of New Hampshire, and other entities. These revenues may also come from awards to other institutions that are later contracted out to USNH campuses.

Net tuition and fees decreased because of lower undergraduate enrollment and higher student financial need. Operating grants and contracts increased due to an increase in grants awarded to UNH from various state programs. Nonoperating revenues were up \$42 million in fiscal year 2021, primarily due to an increase in grant revenue for recovery of COVID-related auxiliary refunds issued in fiscal year 2020 and 2021 as well as COVID testing and safety-related expenses. The State

of NH appropriations increased to allow USNH to freeze undergraduate in-state tuition. Endowment gifts totaled \$10 million in fiscal year 2021, \$15 million in fiscal year 2020, and \$18 million in fiscal year 2019. The investment return after distributions resulted in gains of \$187 million in fiscal year 2021 after losses of \$24 million in fiscal year 2020 and gains of \$9 million in fiscal year 2019. The volatility of endowment returns is a significant driver of the change in total net position each year. Operating expenses were up \$80 million in fiscal year 2021, after a decrease of \$8 million in fiscal year 2020. The increase in expenses is mainly due to the cost of the voluntary separation incentive programs, and COVID-related expenses such as testing, PPE, etc., net of savings from restructuring and temporary reductions.

The increase(decrease) in net position before other changes reflects USNH's operating margin each year. USNH's operating margin for fiscal year 2021 was (5.1%) of net revenues. This is primarily due to costs related to COVID-19 pandemic, and the new separation incentive programs that resulted in approximately 10% reduction of force as of June 30, 2021, as discussed previously.

Table 6A on the following page provides condensed information from the Statements of Revenues, Expenses and Changes in Net Position presented by campus for the year ended June 30, 2021.

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

	2017	2018	2019	2020	2021
OPERATING REVENUES					
Tuition and fees	\$501	\$514	\$522	\$517	\$508
Less: student financial aid	(172)	(188)	(197)	(200)	(207)
Net tuition and fees	329	326	325	317	301
Grants and contracts	121	127	129	131	144
Sales of auxiliary services	216	215	215	166	162
Other operating revenue	30	30	32	29	26
Total Operating Revenues	696	698	701	643	633
OPERATING EXPENSES					
Employee compensation	520	533	535	538	578
Supplies and services	210	208	204	191	234
Utilities, depreciation and amortization	81	84	84	87	85
Total Operating Expenses	811	825	823	816	897
Operating loss	(115)	(127)	(122)	(173)	(264)
NONOPERATING REVENUES (EXPENSES)					
State of New Hampshire general appropriations	81	81	81	86	89
Other nonoperating grant revenue	25	26	26	41	83
Noncapital gifts, investment income and other revenues	41	44	56	59	62
Interest expense, net	(20)	(18)	(17)	(16)	(15)
Total Nonoperating Revenues (Expenses)	127	133	146	170	219
Increase (Decrease) in Net Position Before Other Changes	12	6	24	(3)	(45)
OTHER CHANGES IN NET POSITION					
Endowment gifts and returns, net	70	45	27	(10)	197
State capital appropriations and other changes	11	5	2	12	9
Total Other Changes in Net Position	81	50	29	2	206
Effect of adoption of new accounting standards	-	(42)	(2)	-	-
Total Increase (Decrease) in Net Position	\$ 93	\$ 14	\$ 51	\$ (1)	\$161

Table 6A: Condensed Information from the Statement of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2021 Presented by Campus

(\$ in millions)

	University of New Hampshire Campuses & Foundation	Plymouth State University	Keene State College & Endowment Association	Granite State College	System- wide Office	Total University System of New Hampshire
OPERATING REVENUES						
Tuition and fees	\$365	\$ 73	\$ 55	\$15	\$ -	\$508
Less: student financial aid	(148)	(29)	(24)	(6)	-	(207)
Net tuition and fees	217	44	31	9	-	301
Grants and contracts	132	3	6	3	-	144
Sales and auxiliary services	109	28	25	-	-	162
Other operating revenue	17	3	1	-	5	26
Total Operating Revenues	475	78	63	12	5	633
OPERATING EXPENSES						
Employee compensation	427	58	65	13	15	578
Supplies and services	138	32	35	5	24	234
Utilities, depreciation and amortization	58	15	12	-	-	85
Total Operating Expenses	623	105	112	18	39	897
Operating loss	(148)	(27)	(49)	(6)	(34)	(264)
NONOPERATING REVENUES (EXPENSES)						
State of New Hampshire general appropriations	60	13	12	4	-	89
Other nonoperating grant revenue	33	11	8	3	28	83
Noncapital gifts, investment income and other revenues	48	3	4	1	6	62
Interest expense, net	(7)	(3)	(3)	-	(2)	(15)
Total Nonoperating Revenues (Expenses)	134	24	21	8	32	219
Increase (Decrease) in Net Position Before Other Changes	(14)	(3)	(28)	2	(2)	(45)
OTHER CHANGES IN NET POSITION						
Endowment gifts and returns, net	101	8	11	2	75	197
State capital appropriations and other changes	19	3	2	-	(15)	9
Total Other Changes in Net Position	120	11	13	2	60	206
Total Increase (Decrease) in Net Position	\$106	\$ 8	\$ (15)	\$ 4	\$58	\$161

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, 2021.

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

(\$ in millions)

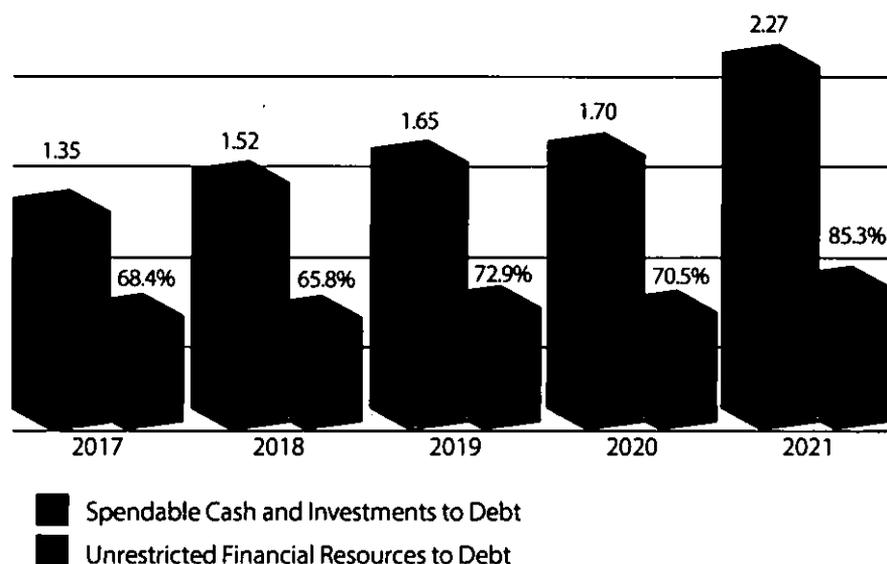
	2017	2018	2019	2020	2021
Cash flows from:					
Receipts from tuition and fees, net	\$332	\$328	\$327	\$348	\$289
Receipts from sales of auxiliary services	217	214	216	165	164
Receipt of state general appropriations	81	81	81	86	89
Noncapital gifts, grants and other receipts	188	203	198	212	282
Payments to and on behalf of employees	(543)	(537)	(532)	(532)	(533)
Payments for supplies, services and utilities	(227)	(227)	(222)	(211)	(252)
Net Cash Provided by Operating and Noncapital Financing Activities	48	62	68	68	39
Net Cash Used in Capital Financing Activities	(120)	(83)	(78)	(90)	(76)
Net Cash Provided by Investing Activities	69	10	30	12	57
Increase/(Decrease) in Cash and Cash Equivalents	\$ (3)	\$ (11)	\$ 20	\$ (10)	\$ 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. Despite significant focus on cash preservation during fiscal year 2021, the decrease in net cash flows provided by operating and noncapital financing activities is primarily related to COVID-19 pandemic including response and mitigation costs. The reduction over the prior year of receipts from tuition and fees resulted from multiple factors, including lower fiscal 2021 accrual-based tuition and fee revenue (\$16 million) and the timing of when tuition and fee payments were received. As a result of COVID, in fiscal year 2020, USNH issued student refunds of approximately \$40 million of which the majority related to auxiliary services such as housing and dining. Only approximately half of those refunds were taken by students in cash in fiscal year 2020 and the remaining portion of approximately \$18 million, as requested, was left on student accounts, and deemed to be what students elected to carry forward to cover tuition and fees in subsequent years; therefore, increasing fiscal year 2020 tuition and fee receipts by \$18 million. In fiscal year 2021, approximately \$14 million of the \$18 million carryforward refunds (deposits) was used to cover tuition and fees in the fiscal year 2021, resulting in less cash collection during fiscal year 2021. Additionally, cash receipts generally received for 2021 summer programs (deemed to be fiscal year 2022 revenue deposits) were much lower than prior years which is significantly attributed to of COVID. The net cash used in capital financing activities for fiscal year 2021 decreased primarily due to less construction spend as a result of continued cash preservation efforts employed to address the uncertainty associated with the COVID pandemic. The cash provided by investing activities in fiscal year 2021 is higher because of investment market increase in fiscal year 2021.

D. Financial Indicators

USNH uses certain Moody's leverage ratios as primary indicators of financial health. The UFR to Debt ratio uses the unrestricted net position balance as the numerator and the outstanding long term debt balance (defined as total long term debt net of unamortized discounts/premiums) as the denominator. The Spendable Cash and Investments to Debt (SCI to Debt) ratio uses wealth that can be accessed over time or for a specific purpose to repay bondholders. USNH's historically targeted unrestricted financial resources to debt ratio is 50% or above, and the targeted SCI to Debt ratio is 1.3 or above. The average of UFR to Debt over the past five years was 73%, and 1.70 for the SCI to Debt ratio. The 2021 increase above the historical averages in these ratios is due to higher than normal investment market valuations. Both ratios reflect sufficient available support for ongoing initiatives. (See Notes 8 and 14 to the Financial Statements for additional information in this regard).

Chart 6: Ratios



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

University System of New Hampshire

Statements of Net Position

(\$ in thousands)

	Balance at June 30,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 85,670	\$ 65,339
Short-term investments	130,477	158,907
Accounts receivable, net	27,037	31,298
Pledges receivable - current portion	2,549	2,537
Notes receivable - current portion	1,742	2,070
Prepaid expenses and other current assets	9,903	7,415
Total Current Assets	257,378	267,566
Noncurrent Assets		
Endowment and similar investments - campuses	682,429	549,393
Endowment and similar investments - affiliated entities	318,818	253,526
Pledges receivable, net of current portion	7,131	3,936
Notes receivable, net of current portion	8,323	11,070
Pension assets, net of obligations	1,557	432
Property and equipment, net of accumulated depreciation	1,101,440	1,119,925
Total Noncurrent Assets	2,119,698	1,938,282
TOTAL ASSETS	2,377,076	2,205,848
DEFERRED OUTFLOWS OF RESOURCES		
	46,463	48,775
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	81,510	64,113
Deposits and unearned revenues	56,012	68,879
Accrued employee benefits - current portion	37,462	6,673
Postretirement medical benefits - current portion	5,342	4,412
Long-term debt - current portion	30,675	27,315
Total Current Liabilities	211,001	171,392
Noncurrent Liabilities		
Asset retirement and other obligations	13,847	10,646
Refundable government advances	10,715	13,229
Accrued employee benefits, net of current portion	33,926	24,467
Postretirement medical benefits, net of current portion	80,797	86,131
Derivative instruments - interest rate swaps	22,280	29,262
Long-term debt, net of current portion	381,003	411,678
Total Noncurrent Liabilities	542,568	575,413
TOTAL LIABILITIES	753,569	746,805
DEFERRED INFLOWS OF RESOURCES		
	11,346	10,474
NET POSITION (see Note 14)		
Net investment in capital assets	722,339	709,337
Restricted		
Nonexpendable	306,566	296,353
Expendable	299,440	200,667
Unrestricted	330,279	290,987
TOTAL NET POSITION	\$1,658,624	\$1,497,344

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,	
	2021	2020
OPERATING REVENUES		
Resident tuition	\$ 163,329	\$ 166,003
Nonresident tuition	302,827	305,555
Continuing education tuition	17,572	19,222
Student fees revenue	24,329	26,148
Total tuition and fees	508,057	516,928
Less: student financial aid - grants and contracts	(31,759)	(31,922)
Less: student financial aid - all other	(175,463)	(168,333)
Net tuition and fees	300,835	316,673
Grants and contracts - direct revenues	120,066	108,488
Grants and contracts - facilities & administrative recovery	24,128	22,363
Sales of auxiliary services	162,460	166,370
Other operating revenues	26,221	28,921
TOTAL OPERATING REVENUES	633,710	642,815
OPERATING EXPENSES		
Employee compensation - grants and contracts	69,900	64,791
Employee compensation - all other	508,122	473,209
Supplies and services - grants and contracts	77,697	35,738
Supplies and services - all other	156,347	154,823
Utilities	15,776	18,059
Depreciation and amortization	68,953	69,015
TOTAL OPERATING EXPENSES	896,795	815,635
Operating loss	(263,085)	(172,820)
NONOPERATING REVENUES (EXPENSES)		
State of New Hampshire general appropriations	88,500	85,500
Federal Pell grants	23,084	24,440
Other nonoperating grant revenue	60,073	16,429
Noncapital gifts	22,366	17,411
Endowment and investment income	38,882	41,667
Interest expense, net	(15,432)	(16,330)
Other nonoperating revenue	1,200	137
TOTAL NONOPERATING REVENUES (EXPENSES)	218,673	169,254
DECREASE IN NET POSITION BEFORE OTHER CHANGES	(44,412)	(3,566)
OTHER CHANGES IN NET POSITION		
State of New Hampshire capital appropriations	4,562	10,082
Plant gifts, grants and other changes, net	4,513	1,693
Endowment and similar gifts	9,717	14,719
Endowment return, net of amount used for operations	186,900	(24,130)
TOTAL OTHER CHANGES IN NET POSITION	205,692	2,364
INCREASE (DECREASE) IN NET POSITION	161,280	(1,202)
NET POSITION AT BEGINNING OF YEAR	1,497,344	1,498,546
NET POSITION AT END OF YEAR	\$1,658,624	\$1,497,344

See accompanying notes to the financial statements.

University System of New Hampshire

Statements of Cash Flows

(*\$ in thousands*)

	For the year ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tuition and fees, net of student financial aid	\$ 289,573	\$ 348,306
Receipts from sales of auxiliary services	163,582	164,603
Receipts from grants, contracts and other operating revenues	170,209	154,421
Payments to employees	(389,744)	(401,392)
Payments for employee benefits	(143,329)	(130,909)
Payments for supplies, services and utilities	(251,579)	(210,722)
NET CASH USED IN OPERATING ACTIVITIES	(161,288)	(75,693)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State general appropriations	88,500	85,500
Federal Pell and other nonoperating grants	93,133	39,318
Noncapital gifts	19,160	18,488
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	200,793	143,306
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State appropriations for plant projects	30	10,052
Plant gifts and grants	4,660	5,199
Endowment gifts	9,717	14,720
Proceeds from issuance of debt and sale of property	2,706	-
Debt principal payments	(25,404)	(24,292)
Interest payments	(16,619)	(17,870)
Purchases and construction of property	(51,455)	(77,823)
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(76,365)	(90,014)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	435,196	445,894
Purchases of investments	(383,523)	(440,107)
Investment income	5,518	6,531
NET CASH PROVIDED BY INVESTING ACTIVITIES	57,191	12,318
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 20,331	\$ (10,083)
BEGINNING CASH AND CASH EQUIVALENTS	65,339	75,422
ENDING CASH AND CASH EQUIVALENTS	\$ 85,670	\$ 65,339
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (263,085)	\$ (172,820)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	68,953	69,015
Changes in assets and liabilities:		
Accounts receivable, net	(505)	(3,689)
Notes receivable	560	(935)
Prepaid expenses and other current assets	(2,488)	1,815
Accounts payable and accrued expenses	15,933	7,976
Deposits and unearned revenues	(12,346)	24,787
Accrued employee benefits	31,690	(1,842)
NET CASH USED IN OPERATING ACTIVITIES	\$(161,288)	\$ (75,693)
SIGNIFICANT NONCASH TRANSACTIONS		
Endowment return, net of amount used for operations	\$ 186,900	\$ (24,131)
Loss on disposal of capital assets	(147)	(2,962)
Construction services payable balance	7,456	5,681

See accompanying notes to the financial statements.

Notes to the Financial Statements

June 30, 2021 and 2020

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. The value of equipment acquired under capital leases is recorded at the present value of the minimum lease payments at the inception of the lease. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets. The cost of certain research buildings is componentized for the purpose of calculating depreciation. Buildings and improvements are depreciated over useful lives ranging from 4 to 50 years. Depreciable lives for equipment range from 3 to 30 years. (See Note 5 for additional information on depreciation.) USNH does not record donated works of art and historical treasures that are held for exhibition, education, research, and public service.

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

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

Operating revenues include tuition and fees, grants and contracts, sales of auxiliary services, and other operating revenues. Tuition and fee revenues are reported net of student financial aid discounts and allowances. Operating expenses include employee compensation and benefits, supplies and services, utilities, and depreciation. Operating expenses also include early retirement and other separation incentive stipends and benefits promised to certain employees in exchange for termination of employment. All such termination benefits are accrued as of the date the termination agreements are signed and are presented at net present value at year end. The operating expenses also included the use of federal Cares Act for Higher Education Emergency Relief Fund and the State of New Hampshire Governor's Office for Emergency Relief and Recovery awards. Nonoperating revenues (expenses) include all other revenues and expenses except certain changes in long-term plant, endowment and other net position

funds, which are reported as other changes in net position. Operating revenues are recognized when earned and expenses are recorded when incurred. Restricted grant revenue is recognized only to the extent of applicable expenses incurred or, in the case of fixed-price contracts, when the contract terms are met or completed.

Unconditional pledges of nonendowment gifts are presented net of estimated amounts deemed uncollectible after discounting to the present value of expected future cash flows. Because of uncertainties regarding their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met. In accordance with GASB requirements, endowment pledges expected to be received over the next ten years, totaling \$10,563,000 and \$7,317,000 at June 30, 2021 and 2020, 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 years 2021 and 2020 as presented herein reflect the adoption of the following three GASB Statements for the year ended June 30, 2021. The adoption of these standards did not have a material effect on the financial statements, and no restatement of prior year balances was made.

GASB No. 84: Fiduciary Activities. The objective of this standard is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB No. 89: Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this standard are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB No. 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans; The objectives of

this standard are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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

2. Cash, cash equivalents and short-term investments

Cash equivalents and short-term investments are recorded at fair value. USNH's investment policy and guidelines specify permitted instruments, durations, required ratings and insurance of USNH cash, cash equivalents and short-term investments. The investment policy and guidelines are intended to mitigate credit risk on investments individually and in the aggregate through restrictions on investment type, liquidity, custodian, dollar level, maturity, and rating category. Money market funds are placed with the largest national fund managers. These funds must be rated 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 \$85,670,000 and \$65,339,000 at June 30, 2021 and 2020, respectively, and short-term investments totaled \$130,477,000 and \$158,907,000 at June 30, 2021 and 2020, respectively. See Note 4 for additional information on fair value classifications.

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

	Balance and Terms as of June 30, 2021					Balance and Terms as of June 30, 2020				
	Cash	Cash Equivalents and Short-Term Investments		Total	Weighted Average Maturity	Cash	Cash Equivalents and Short-Term Investments		Total	Weighted Average Maturity
		Level 1	Level 2				Level 1	Level 2		
Cash balance	\$42,166	\$ -	\$ -	\$ 42,166		\$13,969	\$ -	\$ -	\$ 13,969	
Repurchase agreements		-	4,845	4,845	Less than 1 year		-	7,166	7,166	Less than 1 year
Money market funds		38,659	-	38,659	Less than 1 year		44,204	-	44,204	Less than 1 year
Subtotal cash and cash equivalents	42,166	38,659	4,845	85,670		13,969	44,204	7,166	65,339	
Money market funds		38,237	-	38,237	Less than 1 year		35,287	-	35,287	Less than 1 year
Domestic equity		795	-	795	Less than 1 year		643	-	643	Less than 1 year
Mutual Funds		91,407	-	91,407	1-5 years		95,072	-	95,072	1-5 years
Corporate bonds		-	-	-			-	14,419	14,419	1-5 years
US government and agencies		-	-	-			-	11,880	11,880	1-5 years
Municipal bonds		-	-	-			-	1,573	1,573	1-5 years
Convertible note		-	38	38	1-5 years		-	33	33	1-5 years
Subtotal short-term investments	-	130,439	38	130,477		-	131,002	27,905	158,907	
Total cash, cash equivalents and short-term investments	\$42,166	\$169,098	\$4,883	\$216,147		\$13,969	\$175,206	\$35,071	\$224,246	

3. Accounts, pledges, and notes receivable

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

	2021	2020
Grants and contracts	\$22,983	\$25,117
Student and general	7,530	8,988
State of NH capital projects	-	30
Allowance for doubtful accounts	<u>(3,476)</u>	<u>(2,837)</u>
Total accounts receivable, net	<u>\$27,037</u>	<u>\$31,298</u>

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

	2021	2020
Pledges receivable	\$10,919	\$ 8,651
Discounts and allowance for doubtful pledges	<u>(1,239)</u>	<u>(2,178)</u>
Total pledges receivable, net	9,680	6,473
Less: noncurrent portion	<u>(7,131)</u>	<u>(3,936)</u>
Current portion	<u>\$ 2,549</u>	<u>\$ 2,537</u>

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

	2021	2020
Perkins loans	\$10,067	\$13,528
Other loans, restricted and unrestricted	1,348	1,031
Allowance for doubtful loans	<u>(1,350)</u>	<u>(1,419)</u>
Total notes receivable, net	10,065	13,140
Less: noncurrent portion	<u>(8,323)</u>	<u>(11,070)</u>
Current portion	<u>\$ 1,742</u>	<u>\$ 2,070</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, 2021 or June 30, 2020.

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, 2021, and 2020, 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, 2021 and 2020, respectively, are summarized below (\$ in thousands):

	Campuses		Affiliated Entities	
	2021	2020	2021	2020
Pooled endowments:				
Campuses	\$662,606	\$533,687	\$ -	\$ -
UNH Foundation	-	-	296,533	235,797
Keene Endowment Association	-	-	17,022	13,585
Life income and annuity funds	98	81	5,263	4,144
Funds held in trust	<u>19,725</u>	<u>15,625</u>	-	-
Total	<u>\$682,429</u>	<u>\$549,393</u>	<u>\$318,818</u>	<u>\$253,526</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 7 years and 15 years at June 30, 2021 and 2020, respectively, and carried ratings ranging from AAA to Baa3 as of June 30, 2021 and 2020. 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, 2021					Balances as of June 30, 2020				
	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	\$137,688	\$ –	\$ –	\$105,340	\$ 243,028	\$117,869	\$ –	\$ –	\$ 72,443	\$190,312
Global equity	–	–	–	10,851	10,851	–	–	–	–	–
Global fixed income	62,876	–	–	–	62,876	54,321	–	–	–	54,321
Hedge funds:										
Distressed/Restructuring	–	–	–	21,319	21,319	–	–	–	18,297	18,297
Equity Hedge	–	–	–	43,887	43,887	–	–	–	33,365	33,365
Event-Driven	–	–	–	70,436	70,436	–	–	–	61,501	61,501
Fund of Funds	–	–	–	2,009	2,009	–	–	–	5,755	5,755
Inflation hedging assets	12,784	–	–	12,671	25,455	8,090	–	–	9,523	17,613
International equity	23,994	–	–	62,684	86,678	21,330	–	–	53,440	74,770
Money market	27,188	–	–	–	27,188	36,012	–	–	–	36,012
Private equity & non-marketable real assets	–	–	–	68,977	68,977	–	–	–	41,822	41,822
Trust funds	–	19,725	–	–	19,725	–	15,625	–	–	15,625
Total endowment and similar investments – campuses	\$264,530	\$19,725	\$ –	\$398,174	\$682,429	\$237,622	\$15,625	\$ –	\$296,146	\$549,393
Endowment and similar investments – affiliated entities										
Domestic equity	\$ 19,815	\$ –	\$ –	\$ 59,346	\$ 79,161	\$ 18,629	\$ –	\$ –	\$ 44,044	\$ 62,673
Global equity	569	–	–	26,760	27,329	562	–	–	5,791	6,353
Global fixed income	16,771	3,017	4,292	–	24,080	15,317	1,915	4,242	1,089	22,563
Hedge funds:										
Distressed/Restructuring	–	–	–	39,918	39,918	–	–	–	39,546	39,546
Diversified	–	–	–	7,251	7,251	–	–	–	4,900	4,900
Equity Hedge	–	–	–	30,549	30,549	–	–	–	21,612	21,612
Inflation hedging assets	4,311	6,313	–	–	10,624	3,611	6,691	–	–	10,302
International equity	9,825	–	–	44,043	53,868	16,572	–	–	32,754	49,326
Money market	12,399	–	–	–	12,399	10,921	–	–	–	10,921
Private equity & non-marketable real assets	–	–	–	33,639	33,639	–	–	–	25,330	25,330
Total endowment and similar investments – affiliated entities	\$ 63,690	\$ 9,330	\$4,292	\$241,506	\$ 318,818	\$ 65,612	\$ 8,606	\$ 4,242	\$175,066	\$253,526
Total endowment and similar investments	\$328,220	\$ 29,055	\$4,292	\$639,680	\$1,001,247	\$ 303,234	\$ 24,231	\$ 4,242	\$471,212	\$802,919

As of June 30, 2021, USNH had one equity hedge fund and one global fixed income fund in a lock-up period set to expire in nine months. As of June 30, 2021, UNHF had one year lock up periods for three of its funds, one global equity and two of its hedge funds. Fixed income, private equity and real estate funds classified as illiquid have no ability to be redeemed at this time. For USNH, of the 36 funds classified as illiquid, eleven are currently in liquidation; one is expected to start liquidation within the next year; eighteen are expected to start liquidation in 2 to 15 years, and six currently have no expected liquidation dates. For UNHF, 16 funds are classified as illiquid and are expected to be liquidated over the next one to 10 years.

As of June 30, 2021 and 2020, USNH has one outstanding investment liquidation request which has been limited by the respective fund managers. USNH's estimated fair values of these investments at June 30, 2021 and 2020 are \$50,000 and \$63,000, 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 \$42,366,000 for USNH and \$17,901,000 for UNHF at June 30, 2021. This compares to \$44,251,000 and \$22,749,000, respectively, at June 30, 2020.

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

Liquidity Terms as of June 30, 2021								
	Daily	Monthly	Quarterly	Semi-Annual	Annual	illiquid	Total	Redemption Notice Period
Endowment and similar investments – campuses								
Money market	\$ 27,188	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 27,188	Daily
Global fixed income	62,876	–	–	–	–	–	62,876	Daily
International equity	23,994	62,684	–	–	–	–	86,678	1-10 days
Inflation hedging assets	12,784	12,671	–	–	–	–	25,455	1-15 days
Domestic equity	137,688	–	105,340	–	–	–	243,028	1-60 days
Global equity	–	–	10,851	–	–	–	10,851	30 days
Hedge funds:								
Equity Hedge	–	–	43,541	–	346	–	43,887	60 days
Event-Driven	–	–	29,286	41,150	–	–	70,436	60-90 days
Distressed/Restructuring	–	–	–	–	21,319	–	21,319	90 days
Fund of Funds	–	–	–	–	–	2,009	2,009	illiquid
Private equity & non-marketable real assets	–	–	–	–	–	68,977	68,977	illiquid
Funds held in trust	–	–	–	–	–	19,725	19,725	illiquid
Total endowment and similar investments – campuses	\$264,530	\$ 75,355	\$189,018	\$41,150	\$21,665	\$ 90,711	\$ 682,429	
Endowment and similar investments – affiliated entities								
Money market	\$ 12,399	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 12,399	Daily
Inflation hedging assets	10,624	–	–	–	–	–	10,624	Daily
Global fixed income	19,789	–	–	–	4,228	63	24,080	Daily, illiquid
Global equity	7,042	–	20,287	–	–	–	27,329	1-30 days
Domestic equity	27,227	7,812	44,122	–	–	–	79,161	1-60 days
International equity	27,988	22,381	3,499	–	–	–	53,868	1-90 days
Hedge funds:								
Equity Hedge	–	–	30,549	–	–	–	30,549	30-90 days
Diversified	–	–	–	4,638	2,613	–	7,251	60 days
Distressed/Restructuring	–	–	9,331	12,464	18,123	–	39,918	60-90 days
Private equity & non-marketable real assets	–	–	–	–	–	33,639	33,639	illiquid
Total endowment and similar investments - affiliated entities	\$105,069	\$ 30,193	\$107,788	\$17,102	\$24,964	\$ 33,702	\$ 318,818	
Total endowment and similar investments	\$369,599	\$105,548	\$296,806	\$58,252	\$46,629	\$124,413	\$1,001,247	
Liquidity Terms as of June 30, 2020								
	Daily	Monthly	Quarterly	Semi-Annual	Annual	illiquid	Total	Redemption Notice Period
Endowment and similar investments – campuses								
Money market	\$ 36,012	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 36,012	Daily
Global fixed income	54,321	–	–	–	–	–	54,321	Daily
International equity	21,330	53,440	–	–	–	–	74,770	1-10 days
Inflation hedging assets	8,090	9,523	–	–	–	–	17,613	1-15 days
Domestic equity	117,869	–	72,443	–	–	–	190,312	1-60 days
Hedge funds:								
Equity Hedge	–	–	32,908	–	457	–	33,365	60 days
Event-Driven	–	–	24,867	36,634	–	–	61,501	60-90 days
Distressed/Restructuring	–	–	–	–	18,297	–	18,297	90 days
Fund of Funds	–	–	–	–	–	5,755	5,755	illiquid
Private equity & non-marketable real assets	–	–	–	–	–	41,822	41,822	illiquid
Funds held in trust	–	–	–	–	–	15,625	15,625	illiquid
Total endowment and similar investments – campuses	\$237,622	\$62,963	\$130,218	\$36,634	\$18,754	\$ 63,202	\$ 549,393	
Endowment and similar investments – affiliated entities								
Money market	\$ 10,921	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 10,921	Daily
Inflation hedging assets	10,302	–	–	–	–	–	10,302	Daily
Global fixed income	17,232	1,089	–	–	1,540	2,702	22,563	Daily, illiquid
Global equity	562	–	5,791	–	–	–	6,353	1-30 days
Domestic equity	23,667	5,000	34,006	–	–	–	62,673	1-60 days
International equity	30,052	16,859	2,415	–	–	–	49,326	1-90 days
Hedge funds:								
Equity Hedge	–	–	21,612	–	–	–	21,612	30-90 days
Diversified	–	–	–	4,804	96	–	4,900	60 days
Distressed/Restructuring	–	–	7,580	10,487	21,479	–	39,546	60-90 days
Private equity & non-marketable real assets	–	–	–	–	–	25,330	25,330	illiquid
Total endowment and similar investments - affiliated entities	\$92,736	\$22,948	\$ 71,404	\$15,291	\$23,115	\$ 28,032	\$ 253,526	
Total endowment and similar investments	\$330,358	\$85,911	\$201,622	\$51,925	\$41,869	\$ 91,234	\$802,919	

5. Property and equipment

Property and equipment activity for the years ended June 30, 2021 and 2020 is summarized as follows (\$ in thousands):

	2020			2021			Balance June 30, 2021
	Balance June 30, 2019	Additions	Retirements & Changes	Balance June 30, 2020	Additions	Retirements & Changes	
Land	\$ 15,626	\$ 1,508	\$ 828	\$ 17,962	\$ —	\$ (2,706)	\$ 15,256
Buildings and improvements	1,834,273	38,948	(14,351)	1,858,870	49,096	(7,721)	1,900,245
Equipment	140,811	20,556	(9,041)	152,326	10,259	(1,929)	160,656
Construction in progress, net	52,820	53,789	(40,457)	66,152	43,208	(49,096)	60,264
Total property and equipment	2,043,530	114,801	(63,021)	2,095,310	102,563	(61,452)	2,136,421
Less: accumulated depreciation	(926,169)	(68,831)	19,615	(975,385)	(68,861)	9,265	(1,034,981)
Property and equipment, net	\$1,117,361	\$ 45,970	\$ (43,406)	\$1,119,925	\$ 33,702	\$(52,187)	\$1,101,440

Contractual obligations for major construction projects totaled approximately \$66,042,000 and \$50,014,000 at June 30, 2021 and 2020, respectively.

6. Accrued employee benefits

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

	2020			2021			Balance June 30, 2021	Current Portion
	Balance June 30, 2019	Payments to/ on Behalf of Participants	Expenses & Other Changes	Balance June 30, 2020	Payments to/ on Behalf of Participants	Expenses & Other Changes		
Additional retirement contribution	\$ 2,171	\$ (217)	\$ 105	\$ 2,059	\$ (865)	\$ 632	\$ 1,826	\$ 865
Standard employee separation incentives	2,267	(1,447)	1,284	2,104	(896)	526	1,734	1,392
Enhanced retirement and separation programs	—	—	—	—	(15,789)	56,086	40,297	29,455
Long-term disability	2,044	(455)	443	2,032	(429)	(122)	1,481	429
Workers' compensation	3,223	(952)	600	2,871	(878)	850	2,843	878
Compensated absences	20,763	(2,074)	2,168	20,857	(5,102)	6,563	22,318	3,719
Other benefits	994	—	223	1,217	—	(328)	889	724
Total accrued employee benefits	\$31,462	\$(5,145)	\$ 4,823	\$31,140	\$(23,959)	\$64,207	\$71,388	\$37,462

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 155 and 295 active employees meeting the requirements for the guaranteed minimum employer contribution as of June 30, 2021 and 2020, respectively.

The calculations for the Additional Retirement Contribution program are based on the benefits provided by the program at the time of the last biennial actuarial valuation, December 31, 2019, and were developed using the Entry Age Normal Actuarial Cost Method. The discount rate used in determining the accrued liabilities was 2.12% and 2.74% for 2021 and 2020, 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 Pub G.H-2010 General Employee Headcount-weighted Mortality Table projected generationally with Scale MP-2019. USNH accrued \$1,826,000 and \$2,059,000 at June 30, 2021 and 2020, respectively, for the related obligations. If the discount rate were to increase by 1%, the total liability at June 30, 2021 would be \$1,768,000. Similarly, if the discount rate were to decrease by 1%, the total liability at June 30, 2021 would be \$1,885,000. The Additional Retirement Contribution program expense was \$(102,000) and \$(55,000) for fiscal years 2021 and 2020, respectively.

USNH had designated cash assets to fully fund the Additional Retirement Contribution obligations at June 30, 2021 and 2020. These assets are not administered through a trust. The Additional Retirement Contribution program is not available to employees hired after June 30, 2011. Eligible employees hired after June 30, 2011 may elect to participate in USNH's defined contribution retirement plans administered by others. Retirement contributions by USNH for employees enrolled in the defined contribution plans range from 4% to 10% of eligible salaries for enrolled participants. USNH additions to the defined contribution plans totaled \$27,291,000 and \$28,385,000 in 2021 and 2020, respectively. Retirement contributions by plan members totaled \$29,289,000 and \$28,183,000 in 2021 and 2020, respectively.

Early retirement and employee separation incentive programs were provided to various faculty and staff during 2021 and 2020. Such incentives include stipends, as well as medical, educational, and other termination benefits. The future cost associated with these incentive options is accrued as of the date of acceptance into the program. The liability balances of \$1,734,000 and \$2,104,000 at June 30, 2021 and 2020 represent obligations for 28 and 66 participants, respectively, which will be remitted in fiscal years 2022 through 2025.

USNH Board of Trustees approved voluntary separation incentive programs for reduction of force for 2021. Such incentives include salary continuation, year of service stipends, and medical benefits. The future cost associated with these incentive options is accrued as of the date of acceptance into the program, which was \$56,086,000 in FY21. The liability balance of \$40,297,000 at June 30, 2021, represents obligations for 484 participants, which will be remitted in fiscal years 2022 through 2027.

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

USNH is self-insured for a portion of certain risks, including workers' compensation, employee long-term disability, and certain student health insurance claims. Most employee and retiree medical and dental coverage provided by USNH is also self-insured. The costs of self-insured medical and dental claims and administrative fees totaled \$66,657,000 and \$66,106,000 for fiscal year 2021 and 2020, respectively. These amounts include \$3,811,000 and \$4,212,000 for estimated claims incurred but not reported as of June 30, 2021 and 2020, respectively.

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

In addition to the benefits accruals included above, USNH created and fully funded a trust to hold assets set aside for its **Operating Staff Retirement Plan** on June 29, 2017. The related asset and liability values are not included in the financial statements. The related investment balances as of June 30, 2021 and 2020 are summarized below. (*\$ in thousands*):

Trust Investment Components	2021	2020
Cash and equivalents	\$ 367	\$ 206
Fixed income	2,727	2,862
Equities	3,365	2,720
Real assets	90	75
Total including accrued income	\$6,549	\$5,863

The plan has been closed to new participants since 1987. At June 30, 2021 there were approximately 149 current annuitants and 27 participants with deferred benefits, all fully vested. This compares to 165 current annuitants and 27 participants with deferred benefits as of June 30, 2020. The determination of total pension liabilities for this program was based on actuarial calculations completed by the plan trustee as of June 30, 2021 and 2020. The calculations were developed using the Entry Age Normal Actuarial Cost Method and the Pub G-2010 Total Dataset with MP-2020 mortality tables. The 2020 valuation used Scale MP-2019. The discount rate used was 5.5% in both years based on the long-term expected rate of return on the related investments. The plan fiduciary net position was \$6,549,000 as of June 30, 2021 and \$5,863,000 as of June 30, 2020 which resulted in the recording of a net pension asset of \$1,557,000 and \$432,000 for fiscal years 2021 and 2020, respectively. The actuarially determined liability for the program was \$4,992,000 as of June 30, 2021 and \$5,430,000 as of June 30, 2020. If the discount rate were to increase by 1%, the net pension asset at June 30, 2021 would be \$1,897,000. Similarly, if the discount rate were to decrease by 1%, the net pension asset at June 30, 2021 would be \$1,168,000. The plan expense was (\$212,000) and \$129,000 for fiscal years 2021 and 2020, 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, 2020 and 2019, respectively, there were 942 and 943 former employees receiving benefits under this program along with their eligible dependents. As of December 31, 2020 and 2019, there were 107 and 133 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, 2020 and 2019, respectively, there were 97 and 68 retirees receiving benefits under this program along with their dependents. As of December 31, 2020 and 2019, respectively, there were also 3,415 and 3,563 active employees who, along with their dependents, may eventually be eligible to receive benefits under this program. The primary postretirement medical plan holds no assets. Together, the above offerings constitute the primary postretirement medical plan. This is an Other Post-Employment Benefits (OPEB) single-employer plan and funded on a pay-as-you-go basis with benefits paid when due.

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

The components of postretirement medical liability as of June 30, 2021 and 2020 were as follows (*\$ in thousands*):

Postretirement Medical Plan Liability	2021	2020
Service costs	\$ 1,143	\$ 1,247
Interest	2,444	3,339
Benefit payments	(4,795)	(5,085)
Change of benefit terms	(9,533)	(318)
Differences between expected and actual experience	(999)	850
Changes in assumptions	7,336	7,664
Net change	(4,404)	7,697
Liability at beginning of year	90,441	82,744
Liability at end of year	\$86,037	\$90,441
Current portion	\$ 5,342	\$ 4,412

The total postretirement benefit obligation is measured at December 31, 2020 for the June 30, 2021 financial statements based on the last biennial actuarial valuation, December 31, 2019, developed using the Entry Age Normal Actuarial Cost Method and the Pub T.H-2010 mortality tables with Scale MP-2019. A roll forward calculation was performed for the December 31, 2020 measurement date based on the biennial actuarial valuation to calculate postretirement benefit obligation for the June 30, 2021 financial statements using the Entry Age Normal Cost Method and the Pub T.H-2010 Teacher Employee Headcount-weighted Mortality Table projected generationally with Scale MP-2019. For measurement purposes the 2021 and 2020 initial rate of increase in the cost of healthcare services was assumed to be 6.5% for participants, reduced by 0.25% each year thereafter until reaching an ultimate rate of 4.5% per year. The initial increase in the cost of prescriptions was assumed to be 8.5%, reduced by 0.25% each year thereafter until reaching an ultimate rate of 4.5% per year. Salary increases of 3.0% were included in the calculations for fiscal year 2021 and 2020. A single discount rate of 2.12% and 2.74% was used based on the Bond Buyer 20-Bond General Obligation index rate as of December 31, 2020 and 2019, respectively. The actuarially determined postretirement medical expense for the plan for the years ended June 30, 2021 and 2020 were (\$5,108,000) and \$4,237,000, respectively.

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

OPEB Liability as of December 31, 2020	Sensitivity to change in discount rate			Sensitivity to change in health care costs		
	1% increase	Current rate	1% decrease	1% increase	Current rate	1% decrease
	\$78,204	\$86,037	\$ 95,242	\$95,556	\$86,037	\$77,926
OPEB Liability as of December 31, 2019	\$82,273	\$90,441	\$100,037	\$99,444	\$90,441	\$82,734

USNH also accrued \$102,000 as of June 30, 2021 and 2020, 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, 2021 and 2020 is summarized below (*\$ in thousands*):

	2020			2021			Balance June 30, 2021	Current Portion
	Balance June 30, 2019	Additions & Other Changes	Retirements	Balance June 30, 2020	Additions & Other Changes	Retirements		
NHHEFA bonds								
Series 2005A	\$ 46,250	\$ -	\$ (1,850)	\$ 44,400	\$ -	\$ (2,100)	\$ 42,300	\$ 2,000
Series 2005B	64,360	-	(4,760)	59,600	-	(4,905)	54,695	5,075
Series 2011A	6,000	-	-	6,000	-	-	6,000	6,000
Series 2011B	30,260	-	(2,110)	28,150	-	(2,210)	25,940	2,310
Series 2012	6,470	-	(3,170)	3,300	-	(3,300)	-	-
Series 2014	13,595	-	(2,155)	11,440	-	(2,200)	9,240	2,240
Series 2015	110,530	-	(2,855)	107,675	-	(2,990)	104,685	3,115
Series 2016	49,825	-	(2,515)	47,310	-	(2,640)	44,670	2,780
Series 2017A	53,805	-	(1,760)	52,045	-	(1,850)	50,195	1,940
Series 2017B	47,920	-	(1,950)	45,970	-	(1,990)	43,980	2,030
Unamortized discounts/premiums, net	28,404	-	(1,938)	26,466	-	(1,915)	24,551	1,915
Capital leases	<u>7,800</u>	<u>-</u>	<u>(1,163)</u>	<u>6,637</u>	<u>-</u>	<u>(1,215)</u>	<u>5,422</u>	<u>1,270</u>
Total bonds and leases	<u>\$465,219</u>	<u>\$-</u>	<u>\$(26,226)</u>	<u>\$438,993</u>	<u>\$-</u>	<u>\$(27,315)</u>	<u>\$411,678</u>	<u>\$30,675</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, 2021 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, 2021 and 2020. The variable interest rates for the Series 2005A and 2005B Bonds at June 30, 2021 and 2020 were 0.02% and 0.13%, respectively. The 2011B Bonds variable interest rates at June 30, 2021 and 2020 were 0.01% and 0.14%, 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 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 \$3,913,000 and \$4,777,000 as of June 30, 2021 and 2020, 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, 2021 over the remaining terms of the individual issuances (\$ in thousands):

Fiscal Year	Principal	Interest	Total
2022	\$ 28,760	\$ 15,320	\$ 44,080
2023	23,902	14,277	38,179
2024	24,598	13,350	37,948
2025	25,675	12,381	38,056
2026	18,986	11,472	30,458
2027-2031	95,106	45,916	141,022
2032-2036	99,785	25,571	125,356
2037-2041	40,555	9,870	50,425
2042-2046	28,065	3,528	31,593
2047	1,695	26	1,721
Plus: unamortized discounts/premiums, net	24,551	-	24,551
Total	\$411,678	\$151,711	\$563,389

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):

	2020			2021			Balance June 30, 2021	Current Portion
	Balance June 30, 2019	Additions & Other Changes	Retirements	Balance June 30, 2020	Additions & Other Changes	Retirements		
Asset retirement and other obligations*	\$ 6,100	\$5,575	\$ (746)	\$10,929	\$11,522	\$ (267)	\$22,184	\$8,337
Refundable government advances	17,513	(575)	(3,709)	13,229	258	(2,772)	10,715	-
Total other long-term obligations	\$23,613	\$5,000	\$(4,455)	\$24,158	\$11,780	\$(3,039)	\$32,899	\$8,337

*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, 2021 and 2020 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,	
					2021	2020	2021	2020
Series 2005A swap	October 29, 2008	July 1, 2035	3.6%	67% LIBOR	\$ 42,300	\$ 44,400	\$ (9,284)	\$(12,003)
Series 2005B swap	August 1, 2005	July 1, 2033	3.1%	63% LIBOR+0.29%	54,695	59,600	(7,113)	(9,688)
Series 2011B swap	July 1, 2011	July 1, 2033	4.5%	67% LIBOR	25,940	28,150	(5,883)	(7,571)
Total					\$122,935	\$132,150	\$(22,280)	\$(29,262)

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
		6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020	
Series 2005A swap	Aa2/AA-	0.0%	0.1%	0.1%	0.1%	4.0%	4.1%	4.1%
Series 2005B swap	A1/A+	0.0%	0.1%	0.4%	0.4%	3.2%	3.3%	3.6%
Series 2011B swap	A1/BBB+	0.0%	0.1%	0.1%	0.1%	4.9%	5.0%	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, 2021 and 2020 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, 2021, 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, 2021 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
2022	\$ 9,385	\$ (212)	\$ 4,077	\$ 3,865
2023	9,975	(191)	3,720	3,529
2024	10,170	(169)	3,355	3,186
2025	10,665	(146)	2,973	2,827
2026	7,250	(133)	2,713	2,580
2027-2031	40,220	(440)	9,350	8,910
2032-2036	35,270	(69)	1,944	1,875
Total	\$122,935	\$ (1,360)	\$28,132	\$26,772

10. Deferred inflows and outflows of resources

The components of Deferred Inflows and Outflows of Resources as of June 30, 2021 and 2020 were as follows (\$ in thousands):

	2021	2020
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	\$22,280	\$29,262
Accounting loss on debt refinancing	6,585	7,646
Changes of assumptions:		
Operating Staff Retirement Plan	29	250
Postretirement Medical Plan	11,891	6,613
Additional Retirement Contribution Program	80	69
Net difference between projected and actual earnings:		
Operating Staff Retirement Plan	124	168
Difference between expected and actual experience:		
Postretirement Medical Plan	616	733
Benefit payments subsequent to the measurement date:		
Postretirement Medical Plan	2,965	2,558
Additional Retirement Contribution Program	675	168
Asset retirement obligations	1,218	1,308
Total Deferred Outflows of Resources	\$46,463	\$48,775
Deferred Inflows of Resources		
Accounting gain on debt refinancing	\$ 100	\$ 150
Annuities unconditional remainder interest	2,161	1,348
Changes of assumptions:		
Operating Staff Retirement Plan	15	12
Postretirement Medical Plan	6,192	7,231
Additional Retirement Contribution Program	23	31
Net difference between projected and actual earnings:		
Operating Staff Retirement Plan	697	44
Difference between expected and actual experience:		
Operating Staff Retirement Plan	136	145
Postretirement Medical Plan	1,734	1,031
Additional Retirement Contribution Program	288	482
Total Deferred Inflows of Resources	\$11,346	\$10,474

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, 2021.

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

Fiscal Year	Operating Staff Retirement Plan	Additional Retirement Contribution Program	Post-retirement Medical Plan
2022	\$(240)	\$ (176)	\$ 838
2023	(151)	(37)	838
2024	(137)	(26)	838
2025	(167)	7	838
2026	-	-	838
2027	-	-	378
2028	-	-	14
Total	\$(695)	\$ (232)	\$4,582

11. Pass-through grants

USNH distributed \$146,394,000 and \$160,788,000 of student loans through the US Department of Education Federal Direct Lending program during 2021 and 2020, 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 \$103,000 and \$182,000 as of June 30, 2021 and 2020, 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% and 5.1% as of December 31, 2019 and 2018, respectively. For the UNHF primary pool, the distribution rate was 5.25% as of December 31, for both 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 2021 and 2020 are summarized below (\$ in thousands):

Components of Endowment Payout	2021	2020
Pooled endowment yield - campuses	\$ 6,488	\$ 3,916
Pooled endowment yield - affiliates	(980)	1,834
Trusts, life income and annuities yield, net of gains utilized	564	668
Gains utilized to fund distribution - pooled campuses	17,516	18,162
Gains utilized to fund distribution - pooled affiliates	14,025	10,350
Endowment return used for operations	\$37,613	\$34,930

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	2021 Total
Campuses – current funds						
Instruction	\$218,633	\$ 10,786	\$ (2)	\$ -	\$ -	\$ 229,417
Auxiliary services	44,008	34,426	55	55,893	-	134,382
Research and sponsored programs	83,273	36,915	165	-	-	120,353
Academic support	65,690	20,594	-	-	-	86,284
Student services	38,758	71,777	14	(36)	-	110,513
Institutional support	68,563	6,711	77	(17,988)	-	57,363
Operations and maintenance	28,696	36,129	15,464	(38,077)	-	42,212
Fundraising and communications	9,942	6,250	-	4,307	-	20,499
Public service	<u>13,352</u>	<u>4,298</u>	<u>2</u>	<u>(150)</u>	<u>-</u>	<u>17,502</u>
Subtotal – current funds	570,915	227,886	15,775	3,949	-	818,525
Campuses - other funds	(212)	5,311	-	-	68,953	74,052
Affiliated entities	<u>7,319</u>	<u>847</u>	<u>1</u>	<u>(3,949)</u>	<u>-</u>	<u>4,218</u>
Total	<u>\$578,022</u>	<u>\$234,044</u>	<u>\$15,776</u>	<u>\$ -</u>	<u>\$68,953</u>	<u>\$896,795</u>

	Compensation	Supplies & Services	Utilities	Internal Allocations	Depreciation & Amortization	2020 Total
Campuses – current funds						
Instruction	\$201,484	\$ 17,701	\$ 8	\$ -	\$ -	\$ 219,193
Auxiliary services	53,565	33,022	213	57,241	-	144,041
Research and sponsored programs	76,197	33,290	59	-	-	109,546
Academic support	70,747	16,814	60	-	-	87,621
Student services	34,734	17,643	11	(97)	-	52,291
Institutional support	46,554	17,524	62	(18,484)	-	45,656
Operations and maintenance	24,279	29,912	17,603	(38,946)	-	32,848
Fundraising and communications	11,438	7,248	1	4,158	-	22,845
Public service	<u>11,914</u>	<u>3,389</u>	<u>3</u>	<u>1</u>	<u>-</u>	<u>15,307</u>
Subtotal – current funds	530,912	176,543	18,020	3,873	-	729,348
Campuses - other funds	129	12,547	39	-	69,015	81,730
Affiliated entities	<u>6,959</u>	<u>1,471</u>	<u>-</u>	<u>(3,873)</u>	<u>-</u>	<u>4,557</u>
Total	<u>\$538,000</u>	<u>\$190,561</u>	<u>\$18,059</u>	<u>\$ -</u>	<u>\$69,015</u>	<u>\$815,635</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, 2021 and 2020 (\$ in thousands):

Components of Net Position	2021	2020
Net investment in capital assets	\$ 722,339	\$ 709,337
Restricted financial resources		
Nonexpendable		
Historic gift value of endowment - campuses	134,754	131,196
Historic gift value of endowment - affiliated entities	<u>171,812</u>	<u>165,157</u>
Total restricted nonexpendable resources	306,566	296,353
Expendable		
Held by campuses:		
Accumulated net gains on endowment	94,413	51,082
Fair value of restricted funds functioning as endowment	18,014	14,628
Gifts, grants and contracts	32,910	40,527
Life income and annuity funds	33	12
Loan funds	2,425	2,853
Held by affiliated entities:		
Accumulated net gains on endowment	84,055	36,991
Fair value of restricted funds functioning as endowment	56,073	45,913
Other	<u>11,517</u>	<u>8,661</u>
Total restricted expendable resources	299,440	200,667
Unrestricted financial resources		
Held by campuses:		
Educational and general reserves	(12,259)	(14,910)
Auxiliary enterprises	45,528	34,651
Internally designated reserves	22,199	45,478
Unrestricted loan funds	1,401	1,438
Unexpended plant funds	101,614	136,073
Fair value of unrestricted funds functioning as endowment	246,033	173,025
Other	862	650
Less: postretirement medical liability ⁽¹⁾	<u>(78,490)</u>	<u>(88,800)</u>
Held by affiliated entities:		
Fair value of unrestricted funds functioning as endowment	1,616	1,321
Other	<u>1,775</u>	<u>2,061</u>
Total unrestricted financial resources	330,279	290,987
Total Net Position	<u>\$1,658,624</u>	<u>\$1,497,344</u>

⁽¹⁾As discussed in Note 7, the 2021 and 2020 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

The state of emergency related to COVID-19 declared by the Governor of the State of New Hampshire on March 13, 2020, expired on June 11, 2021. However, COVID-19 continues to impact various parts of USNH operations and financial results. USNH expects to continue to incur additional costs in testing, personal protective equipment, and cleaning. While the significant business disruption seems to be easing with the high rate of vaccination in New Hampshire, there is still considerable uncertainty about the long-term implications of this pandemic on higher education and the ultimate financial impact and duration cannot be estimated at this time.

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

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

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

16. Component units

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

	2021	2020
Condensed information from the Statements		
of Net Position as of June 30,		
Endowment investments	\$302	\$240
Other assets	<u>14</u>	<u>11</u>
Total Assets	<u>316</u>	<u>251</u>
Annuities payable	3	3
Other liabilities and deferred inflows of resources	<u>3</u>	<u>2</u>
Total Liabilities and Deferred		
Inflows of Resources	<u>6</u>	<u>5</u>
Total Net Position	<u>\$310</u>	<u>\$246</u>
	2021	2020
Condensed information from the Statements		
of Revenues, Expenses and Changes in Net		
Position for the years ended June 30,		
Gifts and other support	\$ 32	\$ 30
Investment income	<u>68</u>	<u>4</u>
Total Revenues	<u>100</u>	<u>34</u>
Distributions to UNH	28	26
Administrative and other expenses	<u>8</u>	<u>9</u>
Total Expenses	<u>36</u>	<u>35</u>
Increase/(Decrease) in Net Position	<u>\$ 64</u>	<u>\$ (1)</u>
	2021	2020
Condensed information from the Statements		
of Cash Flows for the years ended June 30,		
Receipts from gifts and other sources	\$ 24	\$ 27
Payments to UNH and suppliers	<u>(37)</u>	<u>(36)</u>
Net Cash Used in Operating Activities	(13)	(9)
Net Cash Provided By Investing Activities	7	4
Net Cash Provided by Noncapital		
Financing Activities	<u>6</u>	<u>3</u>
Change in Cash and Equivalents	<u>\$ -</u>	<u>\$ (2)</u>

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

17. Subsequent events

Management has evaluated the impact of subsequent events through the date that the financial statements were available for issuance October 25, 2021, 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):

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

Additional Retirement Contribution (ARC) Program

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

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

Operating Staff Retirement Plan

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

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

Notes to Schedules:

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

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

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

See accompanying independent auditor's report.

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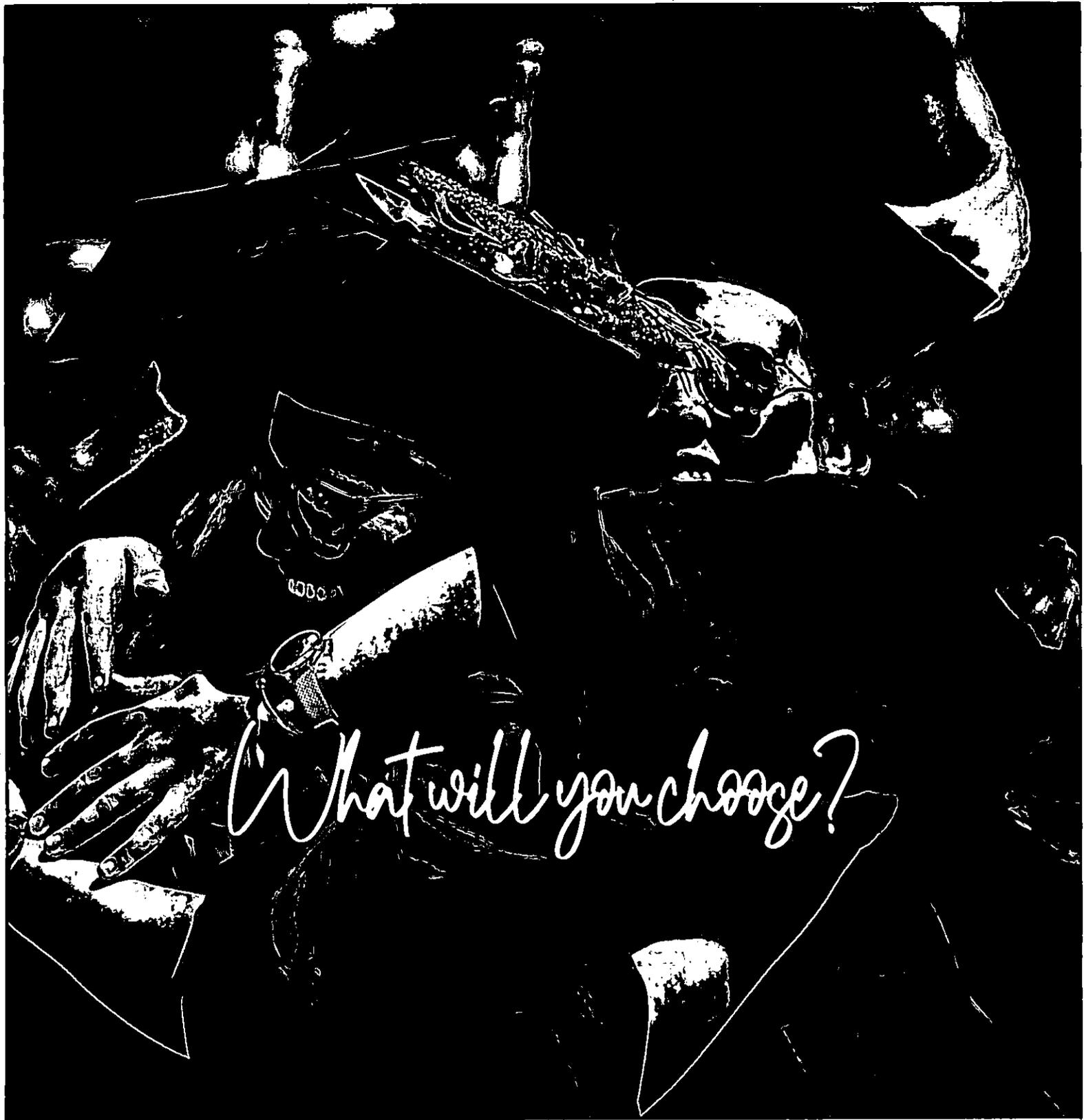
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