



FY | 20

Financial Statements

University of New Hampshire Foundation, Inc.

June 30, 2020 and 2019

University of New Hampshire Foundation, Inc.
Table of Contents

Table of Contents

Independent Auditors' Report	3 - 4
Management's Discussion & Analysis (Unaudited)	5 - 11
Basic Financial Statements	
Statements of Net Position	12
Statements of Revenues, Expenses and Other Changes in Net Position	13
Statements of Cash Flows	14
Notes to the Financial Statements	15 - 27

The 2020 Annual Report is a publication of the University of New Hampshire Foundation, Inc. Prior year annual reports are available online at:
<https://www.unh.edu/give/financial-reports>

University of New Hampshire Foundation, Inc.
Elliott Alumni Center
9 Edgewood Road, Durham, NH 03824



INDEPENDENT AUDITORS' REPORT

Board of Directors
University of New Hampshire Foundation
Durham, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the University of New Hampshire Foundation (Foundation), a blended component unit of the University System of New Hampshire, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Foundation'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

The 2019 financial statements of the Foundation were audited by other auditors whose report dated October 8, 2019, expressed unmodified opinion on those standards.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 2, 2020

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 30, 2020, 2019 and 2018
(Unaudited)
(\$ in thousands)

Introduction

The University of New Hampshire Foundation, Inc. (Foundation) was formed on September 22, 1989 as an independent corporation, the principal purpose of which is to assist the University of New Hampshire (UNH) in obtaining additional resources for the enhancement of UNH programs and facilities. UNH is an institution of higher education and the flagship campus of the University System of New Hampshire (USNH). Operationally, the Foundation functions within UNH's Advancement division (Advancement). The Foundation is overseen by the Board of Directors (Board).

The following discussion and analysis of the financial condition and results of operations of the Foundation for the fiscal year ended June 30, 2020 is provided as prescribed by the Governmental Accounting Standards Board (GASB). This discussion includes an overview of the Foundation's financial activities, describes the changes in financial position, and assists the reader in understanding and comparing the results of the current year's operations to those for the years ended June 30, 2019 and 2018. As this discussion includes summarized information, it should be read in conjunction with the accompanying financial statements and related note disclosures. The financial statements, related notes, and this discussion have been prepared by and are the responsibility of management. References to years should be interpreted to mean fiscal year beginning July 1 and ending June 30, unless otherwise noted. All dollar values noted throughout this discussion, the financial statements, and related notes are in thousands of US dollars.

2020 Financial Highlights

- Beginning in March 2020, the operations and investments of the Foundation were significantly impacted by the spread of Coronavirus Disease (COVID-19). Foundation staff began to work remotely and continued doing so through and beyond June 30, 2020. The financial markets experienced significant disruption and volatility during this period, which impacted the Foundation's investments. The Board's Investment & Finance Committee (Committee) met frequently over this period with its investment advisor, monitoring market impacts and making select fund manager adjustments. While the impact on investments was mostly negative in the early weeks of the market disruption, the Foundation's investments rebounded in later weeks so that the overall market return for the Foundation's portfolio was slightly positive for 2020, as detailed below. The Committee continues to carefully monitor the markets, including the broader market environment and the trajectory of the global pandemic, and to make portfolio adjustments accordingly.
- The value of endowment investments and similar funds decreased \$529 (0.2%) in 2020, with \$11,765 distributed from the endowment pool for payout to purpose and the administration fee (collectively "endowment income used for operations") partially offset by \$7,915 in new endowment gifts and \$3,321 in endowment investment gain.

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 30, 2020, 2019 and 2018
(Unaudited)
(\$ in thousands)

- The pooled portion (98.3%) of the Foundation's endowment assets had a 2020 market gain, net of fees, of 1.7%. This compares to a gain of 5.0% in 2019 and a gain of 7.8% in 2018. 98.5% of Foundation endowed funds are above their respective original gift values as of June 30, 2020.
 - Current use gifts and contributions received in 2020 increased by \$6,913 (53.1%) over 2019 while gifts transferred to UNH increased by \$2,185 (15.3%). Endowment gifts received in 2020 decreased \$7,703 (-67.5%) from the 2019 level.
 - Distributions to UNH for endowed programs increased \$449 (5.0%) in 2020 following an increase of \$355 (4.1%) in 2019.
 - The Foundation received an unrestricted and anonymous \$4,090 gift which was designated by the Board for women's scholarships, with \$3,926 placed into a quasi-endowment fund (fund functioning as endowment) in the Foundation's portfolio.
-

Using the Financial Statements

This annual report includes financial statements and related notes thereto, prepared in accordance with U.S. generally accepted accounting principles (GAAP) promulgated by GASB. The financial statements focus on the financial condition, results of operations, and cash flows of the Foundation.

The Statements of Net Position include all assets, liabilities, deferred inflows and outflows, and net position of the Foundation. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned or, in certain instances, received, and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged.

The Statements of Revenues, Expenses, and Other Changes in Net Position present the revenues earned and the expenses incurred by the Foundation during the year. All activities are reported as either operating or other changes in net position. Operating activities are those that support the mission and purpose of the Foundation and include transactions of a capital and restricted nature that are invested by the Foundation to generate a return that will support future operations. Endowment gifts are reported as other changes in net position.

The Statements of Cash Flows present information related to Foundation cash inflows and outflows during the year, including categories for operating, investing and noncapital financing activities. Endowment gifts are reported as noncapital financing activities.

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 30, 2020, 2019 and 2018
(Unaudited)
(\$ in thousands)

Statements of Net Position

A condensed summary of net position as of June 30, 2020, 2019 and 2018 follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>20 - 19</u> <u>\$ Change</u>	<u>20 - 19</u> <u>% Change</u>
Assets:					
Current assets	\$ 6,233	\$ 8,779	\$ 8,304	\$ (2,546)	-29%
Noncurrent assets	244,986	246,446	234,570	(1,460)	-1%
Total Assets	<u>251,219</u>	<u>255,225</u>	<u>242,874</u>	<u>(4,006)</u>	<u>-2%</u>
Liabilities:					
Current liabilities	1,225	3,247	1,631	(2,022)	-62%
Noncurrent liabilities	<u>2,152</u>	<u>2,414</u>	<u>1,929</u>	<u>(262)</u>	<u>-11%</u>
Total Liabilities	3,377	5,661	3,560	(2,284)	-40%
Deferred Inflows of Resources:					
Deferred inflows - annuities	<u>1,348</u>	<u>2,139</u>	<u>1,753</u>	<u>(791)</u>	<u>-37%</u>
Total Deferred Inflows of Resources	1,348	2,139	1,753	(791)	-37%
Net Position:					
Restricted					
Nonexpendable	156,239	152,526	141,110	3,713	2%
Expendable	86,898	91,948	93,258	(5,050)	-5%
Unrestricted	<u>3,357</u>	<u>2,951</u>	<u>3,193</u>	<u>406</u>	<u>14%</u>
Total Net Position	<u>\$ 246,494</u>	<u>\$ 247,425</u>	<u>\$ 237,561</u>	<u>\$ (931)</u>	<u>0%</u>

Current assets include cash, cash equivalents, and non-endowment pledges receivable due within one year. In accordance with GAAP, endowment pledges are not recognized in the financial statements until the gift is received. Accounts payable and the current portion (due within one year) of annuities payable, plus accrued expenses make up the current liabilities balance. Current assets less current liabilities represent the net working capital of the Foundation. Between the Foundation's working capital and the operating reserve balance (unrestricted net position), management deems the availability of assets adequate to meet unexpected needs or situations of the Foundation.

Noncurrent assets include non-endowment pledges receivable that are due beyond one year from the date of the financial statements, as well as endowments and certain other investments. Noncurrent liabilities are the net present value of that portion of annuities payable after the next fiscal year.

When considered in the context of the Foundation's donor cultivation strategies, returns on its investment and fundraising campaigns, and the overall state of the economy, increases or decreases in the Foundation's net position over time are indicators of improvement in or erosion of its financial health. The Foundation's net position is comprised of three types of net position: restricted nonexpendable, restricted expendable and unrestricted.

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 30, 2020, 2019 and 2018
(Unaudited)
(\$ in thousands)

Restricted nonexpendable endowment funds are maintained in accordance with terms specified by donors and are invested in perpetuity with the intent to produce income to be expended annually for the donor-specified purposes. The restricted nonexpendable net position related to these endowment funds increased by 2.4% in 2020 and by 8.1% in 2019, following a decrease of 6.5% in 2018. The decrease in 2018 was driven by a donor-directed change that resulted in \$17,043 being reclassified to a restricted expendable fund. Increases in the endowment funds over the last several years have been attributable to the Foundation's strong fundraising efforts which have been successful at securing a number of significant endowment gifts. The Board's Investment & Finance Committee monitors and manages the asset allocation of the endowment pool with the goal of diversifying risk while maintaining value and enhancing total return. This work is carried out in conjunction with the Foundation's investment consultant.

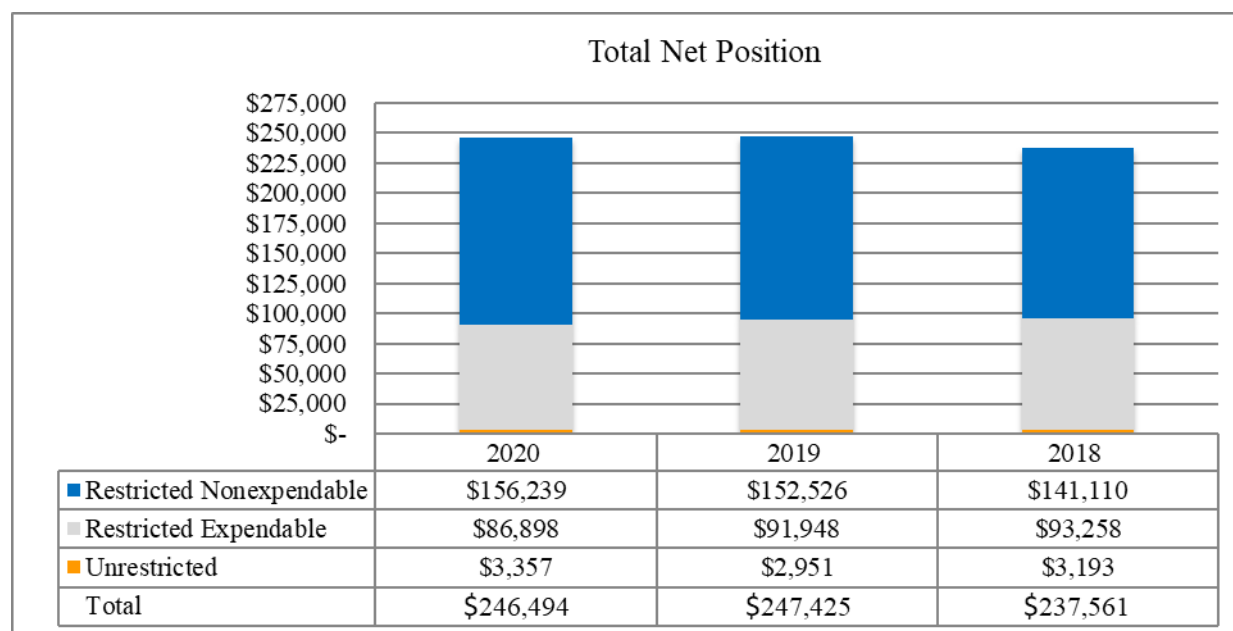
Restricted expendable funds include funds functioning as endowment, life income and annuity funds, and accumulated net gains on the nonexpendable endowment funds. The restricted expendable net position related to these endowment funds decreased 5.5% during the year ended June 30, 2020 and 1.4% in 2019, after increasing by 43.7% the year ended June 30, 2018. Funds functioning as endowment consist of amounts that have been allocated by the Foundation for long-term investment purposes, including gifts restricted as to purpose that have no conditions requiring they be held as nonexpendable endowments. Additionally, restricted expendable funds include two real estate gifts with a total appraisal value of \$845 that were recorded in 2020. It is expected that both properties will be sold by the Foundation for cash in a future period.

Unrestricted funds include accumulated operating reserves, as well as unrestricted gifts to the Foundation that can be utilized to support the Foundation's operations.

(The rest of this page is intentionally blank.)

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 30, 2020, 2019 and 2018
(Unaudited)
(\$ in thousands)

The following chart shows the net position composition as of June 30, 2020, 2019 and 2018:



The Foundation's total net position decreased by \$931 (-0.4%) in 2020, following increases of \$9,864 (4.2%) and \$18,503 (8.4%) in 2019 and 2018, respectively. Annual payout distributions from and new gifts to the endowment, along with overall market gain or loss results from the portfolio investments, are reflected in the year-to-year fluctuations in restricted net position.

(The rest of this page is intentionally blank.)

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 30, 2020, 2019 and 2018
(Unaudited)
(\$ in thousands)

Statements of Revenues, Expenses and Other Changes in Net Position

A condensed summary of revenues, expenses and other changes in net position for the years ended June 30, 2020, 2019 and 2018 follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Gifts and contributions	\$ 19,932	\$ 13,018	\$ 15,012
Support from UNH	6,379	5,024	4,351
Endowment return less income used for operations	3,288	11,139	15,878
Other income	356	36	34
Other support	7	2	-
Total Operating Revenues	<u>29,962</u>	<u>29,219</u>	<u>35,275</u>
Operating Expenses:			
Gifts transferred to UNH	16,424	14,239	16,633
Distributions to UNH for endowed programs	9,493	9,044	8,688
Salaries, wages, fringe benefits and other operating expenses	8,689	7,488	6,565
Total Operating Expenses	<u>34,606</u>	<u>30,771</u>	<u>31,886</u>
Operating Income (Loss)	<u>(4,644)</u>	<u>(1,552)</u>	<u>3,389</u>
Other Changes in Net Position:			
Endowment gifts	3,713	11,416	10,205
USNH Funds Transfer	-	-	4,909
Total Other Changes in Net Position	<u>3,713</u>	<u>11,416</u>	<u>15,114</u>
Increase (Decrease) in Net Position	<u>\$ (931)</u>	<u>\$ 9,864</u>	<u>\$ 18,503</u>

Revenue is primarily comprised of gifts and contributions, support from UNH for fundraising services rendered, investment income, endowment income, and gains (losses) on investments.

Gifts and contributions and endowment income are the primary sources of revenue for the Foundation. In addition, financial support received for services provided to UNH is recognized as revenue by the Foundation. During 2020, excluding new endowment gifts, the Foundation's endowment pool experienced a net decrease of \$8,443 after distributions of \$11,765. This compares to a net decrease of \$89 after distributions of \$11,228 in 2019, and a net increase of \$5,065 after distributions of \$10,813 in 2018.

Expenses include gifts transferred to UNH, distributions (payout to purpose) to UNH for endowed scholarships and programs, compensation costs, interest on annuities, supplies and other expenses. Salaries and fringe benefits comprised \$6,959 (20.1%) of the Foundation's total expenses in 2020 as compared to \$6,113 (19.9%) of the Foundation's total expenses in 2019. The increase in 2020 was primarily attributable to filling new and vacant frontline fundraising positions. Expenses were within the approved budget.

The USNH Funds Transfer in 2018 consisted of six endowment funds that were originally created in and held in the USNH endowment pool. Following the founding of the University of New

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 30, 2020, 2019 and 2018
(Unaudited)
(\$ in thousands)

Hampshire Foundation, Inc. in 1989, identically purposed funds had been created at various times by the same donors within the Foundation endowment pool. In August 2017, the New Hampshire Probate Court approved a petition by USNH to transfer the USNH funds into the respective Foundation funds in order to simplify and improve fund administration. No further transfers of this nature are expected in the future.

Below is a chart that summarizes activity in endowments, annuities, and similar funds for the years ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning Endowment Balance	\$ 236,326	\$ 224,648	\$ 204,468
New gifts*	7,915	11,778	15,114
Payout to purpose	(9,607)	(9,157)	(8,847)
Administration fee	(2,158)	(2,071)	(1,966)
Yield	1,687	2,343	1,728
Realized gain (loss)	2,232	725	2,133
Unrealized gain (loss)	(598)	8,060	12,018
Ending Endowment Balance	<u>235,797</u>	<u>236,326</u>	<u>224,648</u>
Annuities**	<u>4,144</u>	<u>5,280</u>	<u>4,400</u>
Ending Investment Balance	<u>\$ 239,941</u>	<u>\$ 241,606</u>	<u>\$ 229,048</u>

*New gifts include \$4,909 in USNH transfers in 2018.

**Associated liabilities (current and non-current) totaled \$2,431, \$2,723 and \$2,236, at June 30, 2020, 2019, and 2018, respectively.

The overall value of endowment investments and similar funds, as well as annuity investments and similar funds, decreased \$1,665 (-0.7%) in 2020, in contrast to the \$12,554 increase in 2019 over 2018. As distributions continued apace in 2020, the primary detractor in 2020 was the negative impact on unrealized losses compared to gains in prior years because of the COVID-19 pandemic, which pushed returns down in March 2020, but which was largely offset by gains in April, May and June 2020.

Outlook

The ultimate path of the COVID-19 pandemic is uncertain. However, the Committee continues to be highly engaged in monitoring the investment portfolio in conjunction with the investment advisor, to ensure that the Foundation's endowment portfolio can continue to provide much-needed support to UNH in the near term and over the long term.

In addition to identifying new donors and securing additional current use and endowment gifts for the upcoming comprehensive fundraising campaign, the national and global financial and investment markets will continue to be significant factors affecting the Foundation's Statement of Net Position and overall financial health. The Foundation applies diversification to its endowment investments and maintains a long-term focus to achieve competitive returns while hedging against market uncertainty. The Foundation's Board, Committee and staff employ what they believe to be sound fiscal management, contributing to strong results over time and stability in its financial health.

University of New Hampshire Foundation, Inc.
Statements of Net Position
Years ended June 30,
(\$ in thousands)

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,812	\$ 5,491
Pledges receivable, net	2,421	3,288
Total Current Assets	6,233	8,779
Noncurrent Assets		
Pledges receivable, net	3,844	4,810
Endowment investments and similar funds	235,797	236,326
Annuity investments and similar funds	4,144	5,280
Other investments	356	30
Other assets	845	-
Total Noncurrent Assets	244,986	246,446
Total Assets	251,219	255,225
 LIABILITIES		
Current Liabilities		
Accounts payable and other liabilities	946	2,938
Annuities payable	279	309
Total Current Liabilities	1,225	3,247
Noncurrent Liabilities		
Annuities payable	2,152	2,414
Total Noncurrent Liabilities	2,152	2,414
Total Liabilities	3,377	5,661
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - annuities	1,348	2,139
Total Deferred Inflows of Resources	1,348	2,139
 NET POSITION		
Restricted		
Nonexpendable	156,239	152,526
Expendable	86,898	91,948
Unrestricted		
Total Net Position	\$246,494	\$ 247,425

See accompanying notes to financial statements.

University of New Hampshire Foundation, Inc.
Statements of Revenues, Expenses and Other Changes in Net Position
Years ended June 30,
(\$ in thousands)

	2020	2019
OPERATING REVENUES		
Gifts and contributions	\$ 19,932	\$ 13,018
Support from UNH for fundraising services rendered	6,379	5,024
Endowment income used for operations	11,765	11,228
Realized and unrealized gain (loss) on investments, net	1,609	8,796
Endowment return utilized in support of distributions	(10,086)	(8,885)
Other income	356	36
Other support	7	2
Total Operating Revenues	29,962	29,219
OPERATING EXPENSES		
Gifts transferred to UNH	16,424	14,239
Distributions to UNH for endowed programs	9,493	9,044
Salaries, wages, and fringe benefits	6,959	6,113
Supplies and other operating expenses	1,712	1,357
Interest on annuities	18	18
Total Operating Expenses	34,606	30,771
Operating Income (Loss)	(4,644)	(1,552)
OTHER CHANGES IN NET POSITION		
Endowment gifts	3,713	11,416
Total Other Changes In Net Position	3,713	11,416
INCREASE (DECREASE) IN NET POSITION	(931)	9,864
NET POSITION AT BEGINNING OF YEAR	247,425	237,561
NET POSITION AT END OF YEAR	\$ 246,494	\$ 247,425

See accompanying notes to financial statements.

University of New Hampshire Foundation, Inc.
Statements of Cash Flows
Years ended June 30,
(\$ in thousands)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	\$ 20,921	\$ 13,712
Support from UNH	6,380	5,024
Investment income	12	13
Payments to UNH	(28,048)	(21,734)
Payments to employees and for employee benefits	(6,861)	(6,068)
Payments to suppliers	(1,658)	(1,330)
Net Cash Provided By (Used In) Operating Activities	<u>(9,254)</u>	<u>(10,383)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of pooled endowment investments	77,923	118,328
Purchases of pooled endowment investments	(74,073)	(118,877)
Proceeds from sales and maturities of annuity, life income, and other investments	365	334
Purchases of annuity, life income and other investments	(109)	(1,090)
Net Cash Provided By (Used In) Investing Activities	<u>4,106</u>	<u>(1,305)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from issuance of annuity and life income agreements	90	1,085
Payments to annuitants and life income beneficiaries	(334)	(329)
Endowment gifts and other additions	3,713	11,416
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>3,469</u>	<u>12,172</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,679)	484
BEGINNING CASH AND CASH EQUIVALENTS	5,491	5,007
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 3,812</u>	<u>\$ 5,491</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
OPERATING INCOME (LOSS)	\$ (4,644)	\$ (1,552)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Endowment return, net of amount used for operations	(3,299)	(11,153)
Interest on annuities	18	18
Changes in assets and liabilities:		
Pledges receivable, net	1,833	693
Other investments	(326)	(3)
Other assets	(845)	-
Accounts payable and other liabilities	(1,991)	1,614
Net Cash Provided By (Used In) Operating Activities	<u>\$ (9,254)</u>	<u>\$ (10,383)</u>

See accompanying notes to financial statements.

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

1. Organization and Significant Accounting Policies

The University of New Hampshire Foundation, Inc. (Foundation) was incorporated in 1989 as a not-for-profit, tax-exempt organization. Its primary purpose is to solicit, collect, invest and disburse funds for the University of New Hampshire (UNH). The Foundation is governed by its own Board of Directors (Board), the membership of which includes, among others, the President of the University of New Hampshire and up to three members of the University System of New Hampshire (USNH) Board of Trustees. The University of New Hampshire funds a significant portion of the operating expenses of the Foundation.

Basis of Accounting and Presentation

In order to adhere to limitations and restrictions placed on the use of available resources, the accounts of the Foundation are maintained internally in accordance with the principles of “fund accounting.” This is the procedure by which resources for various purposes are maintained in separate funds in accordance with the activities or objectives specified.

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) using the economic resources measurement focus and the accrual basis of accounting in accordance with applicable Governmental Accounting Standards Board (GASB) pronouncements.

The Foundation’s resources are classified for accounting and reporting purposes into the following net position categories:

- Restricted Nonexpendable – These are subject to externally imposed stipulations that the funds be invested in perpetuity by the Foundation. These include the original gift value of donor restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of New Hampshire, as described in note 4.
- Restricted Expendable – Use by the Foundation is subject to externally imposed stipulations that can be fulfilled by actions pursuant to those stipulations or expire by the passage of time, and include the net unspent appreciation on investments of donor-restricted nonexpendable endowments and restricted current use pledges receivable. When both restricted and unrestricted resources are available for a particular purpose, generally it is the Foundation’s policy to use applicable restricted resources first.
- Unrestricted – These are not subject to externally imposed stipulations. Unrestricted net position may be designated internally to support specific purposes.

UNH provides financial support to the Foundation through annual operating appropriations and other sources. Although UNH does not control the timing or amount of receipts from the Foundation, the majority of resources which the Foundation holds and invests, and income thereon, are restricted by donors to the activities of UNH. Because these restricted resources

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

held by the Foundation can only be used by or for the benefit of UNH, the Foundation is included as a blended component unit in the USNH financial statements in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

Cash and Cash Equivalents

Cash and cash equivalents consist of savings and demand accounts and pooled depository funds with original maturities of 90 days or less. The primary purpose of these funds is to support expected operating expenses of the Foundation in the near future.

Gifts, Contributions and Pledges

Gifts and contributions are recorded at estimated fair value when all applicable eligibility requirements have been met and collection is deemed probable. Pledges are written unconditional promises by donors to make future payments. The Foundation recognizes a receivable and revenue at the time the pledge is made by the donor if the pledge is verifiable, measurable, and probable of collection and meets all applicable eligibility requirements. Because eligibility requirements for endowment gifts cannot be met until funds are invested, endowment pledges are not recorded as revenue until cash or other assets are received. Real estate is reported at estimated fair value as of the date of the gift. Transfers to UNH are recorded based on the carrying value of the related gifts at the date of transfer.

Fair Value Measurements

Investments and investment activities are reported at fair value. Fair value represents the price that would be received upon sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. In accordance with GASB Statement No.72, *Fair Value Measurement & Application*, the Foundation uses a three-tiered hierarchy to categorize those assets and liabilities based on the valuation methodologies employed. The hierarchy is defined as follows:

- Level 1 – Valuation based on quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.
- Level 2 – Valuations based on inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 – Valuation based on unobservable inputs used in situations in which little or no market data is available.

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized as of the end of the reporting period.

As described in note 3, investments measured at net asset value as a practical expedient to estimate fair value are not categorized in the fair value hierarchy above.

Income Tax Status

The Internal Revenue Service has ruled that the Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code and is, therefore, generally not subject to income tax under present federal income tax laws. In addition, the Foundation is not a private foundation within the meaning of Sections 509(a)(1) and 170(b)(1)(A)(iv) of the Code.

(The rest of this page is intentionally blank.)

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

2. Pledges Receivable

Pledges receivable are discounted at rates commensurate with the associated risks and timeframes involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restriction. As of June 30, 2020 and 2019, 50% and 58%, respectively, of pledges receivable, net of discount and bad debt allowance, are attributable to two donors.

Pledges receivable at June 30 are restricted by donors as follows:

	<u>2020</u>	<u>2019</u>
Instruction and academic support	\$ 3,521	\$ 5,550
Scholarships and fellowships	4,463	4,638
Plant construction and renovations	390	958
Other	67	73
Total Pledges Receivable	<u>\$ 8,441</u>	<u>\$ 11,219</u>

These amounts, as of June 30, are due as shown below:

	<u>2020</u>	<u>2019</u>
Amounts due in one year or less	\$ 3,195	\$ 3,794
Amounts due between one year and five years	4,727	6,412
Amounts due after five years	519	1,013
Total Due	8,441	11,219
Less: discounting of future cash flows	(482)	(936)
Less: allowance for uncollectible amounts	(1,694)	(2,185)
Total Pledges Receivable, Net	<u>\$ 6,265</u>	<u>\$ 8,098</u>

(The rest of this page is intentionally blank.)

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

3. Investments

Investments and investment activities are reported at estimated fair value. Purchases and sales of securities are recorded as of the settlement date. The fair value of publicly traded securities is based upon quoted market prices. The fair value of registered mutual funds is based on published net asset values (NAV). The estimated fair value of investments without traditional markets (i.e., hedge funds, private equity, inflation hedging assets and non-marketable real assets) is based on estimated NAV, as provided by fund managers and reviewed by management, as a practical expedient to estimate fair value. Because hedge funds, private equity, inflation hedging assets and real estate investments are not readily marketable, their estimated values are subject to uncertainty and, therefore, could differ materially from the value that would have been used had a ready market for such investments existed. At June 30, 2020 and 2019, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

The following tables summarize the Foundation's endowment investments, annuity investments, and similar funds at June 30:

2020					
Investments Classified in the Fair Value Hierarchy					
	Investments Measured at NAV	Level 1	Level 2	Level 3	Total
Cash	\$ -	\$ 8,553	\$ -	\$ -	\$ 8,553
Fixed income	1,662	11,338	1,915	4,242	19,157
Inflation hedging	274	3,337	6,691	-	10,302
Domestic equity	44,849	10,943	-	-	55,792
International/global equity	39,100	15,649	-	-	54,749
Hedge funds:					
Equity	21,612	-	-	-	21,612
Diversified	4,900	-	-	-	4,900
Distressed/Event Driven	39,546	-	-	-	39,546
Private equity	13,180	-	-	-	13,180
Private real assets	12,150	-	-	-	12,150
Total	\$ 177,273	\$ 49,820	\$ 8,606	\$ 4,242	\$ 239,941

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

2019

	Investments Classified in the Fair Value Hierarchy				Total
	Investments Measured at NAV	Level 1	Level 2	Level 3	
Cash	\$ -	\$ 8,009	\$ -	\$ -	\$ 8,009
Fixed income	1,883	17,332	2,134	4,176	25,525
Inflation hedging	197	2,664	9,575	-	12,436
Domestic equity	31,491	32,323	-	-	63,814
International/global equity	41,231	16,077	-	-	57,308
Hedge funds:					
Equity	20,931	-	-	-	20,931
Diversified	241	-	-	-	241
Distressed/Event Driven	32,064	-	-	-	32,064
Private equity	10,583	-	-	-	10,583
Private real assets	10,695	-	-	-	10,695
Total	<u>\$ 149,316</u>	<u>\$ 76,405</u>	<u>\$ 11,709</u>	<u>\$ 4,176</u>	<u>\$ 241,606</u>

(The rest of this page is intentionally blank.)

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

Investment liquidity and redemption terms as of June 30, 2020 and 2019 are presented below:

	2020							Redemption Notice
	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	
Cash	\$ 8,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,553	Daily
Fixed income	13,826	1,089	-	-	1,540	2,702	19,157	Daily, Annually, Illiquid
Inflation hedging	10,302	-	-	-	-	-	10,302	Daily
Domestic equity	16,786	5,000	34,006	-	-	-	55,792	1 - 60 days
International/global equity	29,684	16,859	8,206	-	-	-	54,749	1 - 90 days
Hedge funds:								
Equity	-	-	21,612	-	-	-	21,612	30 - 90 days
Diversified	-	-	-	4,804	96	-	4,900	60 days
Distressed/Event Driven	-	-	7,580	10,487	21,479	-	39,546	60 - 90 days
Private equity	-	-	-	-	-	13,180	13,180	N/A
Private real assets	-	-	-	-	-	12,150	12,150	N/A
Total	\$ 79,151	\$ 22,948	\$ 71,404	\$ 15,291	\$ 23,115	\$ 28,032	\$ 239,941	

	2019							Redemption Notice
	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	
Cash	\$ 8,009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,009	Daily
Fixed income	20,296	1,053	-	-	1,585	2,591	25,525	Daily, Illiquid
Inflation hedging	12,436	-	-	-	-	-	12,436	Daily
Domestic equity	33,422	-	30,392	-	-	-	63,814	1 - 60 days
International/global equity	31,068	18,192	8,048	-	-	-	57,308	1 - 90 days
Hedge funds:								
Equity	-	-	15,465	5,466	-	-	20,931	60 - 90 days
Diversified	-	-	-	-	241	-	241	45 - 60 days
Distressed/Event Driven	-	-	20,011	-	12,053	-	32,064	45 - 90 days
Private equity	-	-	-	-	-	10,583	10,583	N/A
Private real assets	-	-	-	-	-	10,695	10,695	N/A
Total	\$ 105,231	\$ 19,245	\$ 73,916	\$ 5,466	\$ 13,879	\$ 23,869	\$ 241,606	

As of June 30, 2020 and 2019, the Foundation had outstanding unfunded commitments, which includes recallable capital, to private investments of \$22,749 and \$16,878, respectively.

Following is a summary of strategies for investments measured using NAV as a practical expedient, as of June 30, 2020.

Fixed income - This type includes four investments that seek to obtain current income while preserving capital by investing in fixed income securities.

Inflation hedging – This type includes two funds that helps provide protection against the decreased purchasing power of a currency resulting from a loss of value due to inflation.

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

Domestic equity - This type includes investments in six funds that invest in both long and short strategies, seeking to meet or exceed the performance of U.S. stock indexes. Management of each fund strategy has the ability to shift investments between value and growth strategies, among small, medium, and large capitalization stocks, and from a net long position to a net short position. Derivatives may be used to hedge existing exposures to maximize returns and minimize risks.

International/global equity - This type includes investments in seven hedge funds and three common trust funds that invest in non-US and non-Canada equities. Collectively, the funds invest in small, mid and large capitalization companies. One fund in this type employs the MSCI Emerging Markets Index to inform its stock selection. Another fund seeks to exceed returns on the MSCI EAFE (Europe, Asia, Far East) Index.

Equity hedge funds - This type includes investments in four hedge funds that invest with both long and short strategies in U.S. and international equities. Management of each hedge fund has the ability to shift investments between value and growth strategies, among small, medium, and large capitalization stocks, and from net long position to a net short position. There are no lock-up periods for any of these funds.

Diversified hedge funds - This type includes two investments, one of which is currently in the liquidation process. The other fund seeks to achieve risk-adjusted returns through a process of fundamental, bottom-up analysis. They pursue multiple investment strategies on an opportunistic basis including five core investment strategies: credit investments, long/short equity, merger arbitrage, real estate related investments and direct investments.

Distressed and event driven hedge funds - This type includes investments in four hedge funds that invest primarily in the debt, equity or trade claims of companies in financial distress or already in default typically causing the securities to trade at substantial discounts to par value due to difficulties in analyzing security value impacted by business, finance or legal uncertainties. Management may utilize “side-pockets” to achieve investment objectives. In 2020, a fund was added that focuses on default and non-default events (e.g., merger, arbitrage, IPO, credit issuance, etc.). Certain investments in this type cannot be readily redeemed because the investments include restrictions that only allow redemptions annually.

Private equity - This type includes ten private equity funds. Two funds operate as a “Fund of Funds” investment vehicle that invests in a diversified group of closed-end private funds focused on leveraged buyout, growth equity, mezzanine, and venture capital investment funds. One fund invests in global private market investment strategies, including investments selected by third party investment managers. One fund targets investments in less liquid and/or longer duration distressed situations and situations resulting from capital dislocation. Two funds invest in equity, equity-related and debt securities primarily acquired in privately negotiated transactions, leveraged acquisitions, reorganizations and other equity transactions. Three funds seek income and gain through acquisition, holding, and distribution of interests in venture capital. The remaining fund invests in mezzanine securities, including fixed income securities

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

such as debt and preferred stock. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through liquidations of the underlying assets of the funds, which are expected over the next one to 11 years.

Private real assets - This type includes five funds utilizing investment strategies seeking current income and capital appreciation primarily through investments in domestic and international real estate assets. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, which are expected over the next one to six years.

Marketable investments are held by financial institutions whose credit is reviewed and deemed reputable by the Foundation’s investment advisor, management and members of the Board’s Investment & Finance Committee. The investment policy of the Foundation is designed to mitigate the custodial credit risk associated with these investments collectively through diversification among investment managers.

Fixed income investments are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer’s ability to make these payments will cause security prices to decline. The Foundation manages credit risks, which include investment grade credit ratings issued by nationally recognized statistical rating organizations, including Moody’s Investors Service, for all investments. As of June 30, 2020 and 2019, the Foundation’s fixed income mutual funds were not rated.

Fixed income securities as of June 30 were rated as follows:

<u>Moody's Rating</u>	<u>2020</u>	<u>2019</u>
Aaa	85%	90%
Aa1-3	5%	4%
A1-3	7%	4%
Baa1-3	3%	1%
NR	0%	1%
	<u>100%</u>	<u>100%</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. One of the ways the Foundation manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by “laddering” or timing cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

4. Endowment and Similar Funds

The Foundation follows the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as promulgated in Chapter 292-B of the State of New Hampshire's Revised Statutes Annotated (RSA). RSA 292-B permits the Board of Directors to appropriate a portion of an endowment fund as is prudent considering the Foundation's long-term and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions.

The majority of endowment funds are invested and maintained on a pooled basis using the unit share method of allocating earnings. At June 30, 2020 and 2019, pooled endowment funds totaled \$235,797 and \$236,326, respectively. The Foundation maintains two separate endowment pools: the main pool and the ESG (environmental, social and governance) pool. The ESG pool was established in 2015 for donors who wish to have their endowment gifts invested using ESG principals. While each pool is comprised of a distinct set of investments in response to differing asset allocation targets, the pools are otherwise managed in the same fashion, including but not limited to Board oversight, unitization methodology and payout rates, in accordance with the Foundation's investment policy statement. Investment results of the two pools are not commingled but each endowed fund receives on a pro rata basis the market activity and distributions attributable to its pool. The market values of the main pool at June 30, 2020 and 2019 were \$195,159 and \$195,893, respectively. The market values of the ESG pool at June 30, 2020 and 2019 were \$40,638 and \$40,433, respectively.

As provided for under UPMIFA, the Foundation applies the "total return" concept to distributions, so that endowment yield (dividends and interest) and accumulated net gains may be utilized to fund distributions. For fiscal years 2020 and 2019, the payout to purpose rate was 4.25% and the administration fee component was 1%, both based on the twelve quarter-rolling average market value per unit, for a total distribution rate of 5.25%. The administrative fee component of the annual distribution for spending covers general and administrative costs associated with the management of investments and fiduciary requirements of the Foundation. The distribution rate is reviewed and approved by the Board annually.

When combined with new gifts, the payout to purpose rate in the spending formula for the pooled endowment provides stability for support of ongoing programs. Total endowment income distributed and used for operations for 2020 and 2019 was \$11,765 and \$11,228, respectively. Of the total annual distributions, the Foundation distributed to UNH for endowed programs (i.e., payout to purpose) for restricted current use from pooled endowment funds \$9,493 and \$9,044 for the years ended June 30, 2020 and 2019, respectively. To support the annual distributions in 2020 and 2019, accumulated returns of \$10,086 and \$8,885 were utilized, respectively. As a result of investment activities and annual distributions, the endowment pool experienced a net decrease of \$8,443 in 2020 and a net decrease of \$89 in 2019.

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

All distributions were made from pooled endowment funds in 2020 and 2019. There were no cases where endowment funds had a market value less than 90% of the historical book value as of the beginning of the calendar year, which is the Foundation's payout curtailment policy threshold. The aggregate amount by which the Foundation's true endowment funds had market value below their original gift value was \$276 and \$111 as of June 30, 2020 and 2019, respectively. For 2020, the percentage of dollars underwater is 0.15% of the total market value of true endowment funds.

Similar funds are comprised of life income and annuity funds totaling \$4,143 and \$5,280 as of June 30, 2020 and 2019, respectively.

5. Annuities Payable

Annuities payable are recorded at the present value of anticipated future payments based on the life expectancies of the recipients. Life income and annuity liability activity for the years ended June 30, 2020 and 2019 are shown below:

	<u>2020</u>	<u>2019</u>
Balance, Beginning of Year	\$ 2,723	\$ 2,236
Revaluations	365	178
New annuities	86	638
Withdrawals	(427)	(17)
Principal payments	(316)	(312)
Balance, End of Year	<u>2,431</u>	<u>2,723</u>
Less: current portion	<u>(279)</u>	<u>(309)</u>
Noncurrent portion	<u>\$ 2,152</u>	<u>\$ 2,414</u>

(The rest of this page is intentionally blank.)

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

6. Net Position

The components of total net position at June 30, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Restricted		
Nonexpendable		
Historical gift value of endowment	\$ 156,239	\$ 152,526
Total Restricted Nonexpendable	<u>156,239</u>	<u>152,526</u>
Expendable		
Accumulated net gains on historical gift value of endowment	32,325	38,438
Fair value of funds functioning as endowment	45,913	44,054
Pledges receivable, net, and other gifts	7,450	9,038
Life income and annuity funds	365	418
Real estate gifts to be sold	845	-
Total Restricted Expendable	<u>86,898</u>	<u>91,948</u>
Unrestricted		
Foundation operating funds	1,920	1,215
Fair value of unrestricted funds functioning as endowment	1,321	1,308
Gifts	116	428
Total Unrestricted	<u>3,357</u>	<u>2,951</u>
Total Net Position	<u>\$ 246,494</u>	<u>\$ 247,425</u>

7. Gifts and Contributions

Gifts and contributions include annual adjustments in pledges receivable balances based on estimated future cash flow net of discounts and allowances. Gifts and contributions accepted during 2020 and 2019 included the following:

	<u>2020</u>	<u>2019</u>
Endowment gifts*	\$ 3,947	\$ 11,517
Current unrestricted gifts	376	591
Current restricted gifts	18,279	10,776
Plant gifts	925	1,503
Annuities	118	47
Total Gifts and Contributions	<u>\$ 23,645</u>	<u>\$ 24,434</u>

*Includes additions to UNH-held endowments totaling \$234 and \$101 in 2020 and 2019, respectively.

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(\$ in thousands)

8. Related Party Transactions

The Foundation's operations are dependent upon the continued support of UNH. The Foundation's personnel are USNH employees who are serving the Foundation and, accordingly, are entitled to all the benefits of USNH employees. All liabilities associated with employment are assumed by USNH and charged to the Foundation.

UNH provides support to the Foundation for items such as financial and payroll transactional support from the UNH Central Administrative Business Service Center. The accompanying financial statements do not reflect the dollar value of such services. These amounts are reported in the operating budgets and financial statements of USNH.

To the extent UNH specifically supports management and general expenses of the Foundation, such amounts are reflected in these accompanying financial statements as operating revenue and expenses. For the years ended June 30, 2020 and 2019, UNH paid \$6,379 and \$5,024, respectively, to the Foundation for operating support.

Gifts transferred to UNH in 2020 and 2019 were \$16,424 and \$14,239, respectively. At June 30, 2020, \$593 due to UNH (relating to gifts to be transferred to UNH) was included in accounts payable and other liabilities. At June 30, 2019, this amount was \$2,732. Certain gift balances to be transferred to UNH in future years are held by the Foundation in cash and cash equivalents. These totaled \$1,187 and \$940, at June 30, 2020 and 2019, respectively. The majority of these balances are associated with scholarships, research and other initiatives that will be transferred to the project funds when needed.

9. Subsequent Events

In the second half of 2020, and extending into 2021, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities with unknown short- and long-term impacts. Specific to the Foundation, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to reduced investment valuations, shortages of personnel, and reduced fundraising results. As part of UNH, the Foundation may also be subject to other operational and budgetary impacts.

Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are continuing to develop.

Management has evaluated the impact of other subsequent events through October 2, 2020, which is the date that the financial statements were available for issuance and concluded that no material events have occurred that would require recognition or disclosure.