



*2003 Annual Financial Report*

University System of New Hampshire



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# Introduction from USNH Financial Management

The University System of New Hampshire (USNH) celebrates its 40th year in 2003. When the legislature created USNH in 1963 as a body politic and corporate, it did so with the vision of establishing a “well-coordinated system of public higher education.” The legislation states that the four educational institutions of USNH “are to be permitted to operate with the highest measure of autonomy and self-governance, . . . in such a manner as to provide for maximum institutional initiative and responsibility within a unified university organization.” The USNH administration “shall provide assistance needed by the component institutions in order to fulfill their individual educational missions and shall provide services which facilitate coordination in order to serve the educational needs of the people of New Hampshire.”

Since 1963, USNH has held to the principle of decentralized decision-making and operations within a context of USNH-wide planning, accountability, fiscal controls, and centralized services. The Chancellor is the chief executive officer of USNH. He and his staff have four primary roles in accomplishing the mission of USNH: advocacy, planning, service, and stewardship.

Stewardship has consistently been a top priority for both trustees and management. Together, we have built a strong system of internal administrative and accounting controls that is continuously reviewed and improved. During 2002 and 2003, USNH implemented a new integrated, enterprise-wide financial and human resource management system. Known as the Banner system, it maintains the control environment while enabling better distributed decision-making and providing real-time management reporting to all levels of the organization. Banner combines local management of activities with timely central oversight to ensure the most efficient and effective business operations.

The Chancellor's Office and USNH institutions work hand-in-glove to stress efficiency and effectiveness in all activities. In addition to the enormous USNH-wide project of implementing the Banner system, other examples of successful collaboration to improve business operations and reduce overall costs include:

- Centralizing operations where economies of scale can render cost savings;
- Decentralizing budget responsibility to colleges and divisions in order to make more decisions locally and promote accountability;
- Utilizing shared service centers, procurement cards, and streamlined electronic processes to reduce transactional costs;
- Implementing e-commerce solutions in each campus business office to accommodate electronic bill presentment and student payment processing;
- Benchmarking other organizations to identify and implement best practices;
- Terminating non-value-added work and simplifying, standardizing, and automating whatever processes cannot be eliminated; and
- Leveraging the strength of all the USNH campuses to negotiate favorable procurement prices.

Earning and sustaining the public trust is essential. Conservative financial policies and procedures are standard among USNH institutions. The fraudulent activities of Enron and WorldCom helped spur the July 2002 passage of the Sarbanes-Oxley Act. This Act requires stricter standards for publicly traded companies and their boards, executives and auditors in order to protect the interests of shareholders. While USNH is not required to follow this law or other SEC regulations, USNH trustees and management have for many years adopted a tough, disciplined approach to internal controls that embraces the principles of Sarbanes-Oxley on behalf of USNH “shareholders.”

For example, USNH financial management has since 1988 articulated its responsibility for financial reporting and internal controls in a format similar to that shown on page 3. Without an obligation to do so, trustees are currently reviewing the Sarbanes-Oxley Act to adopt those provisions that should be applied to not-for-profit organizations. This will further improve USNH's strong fiscal controls and accountability as part of its larger commitment to the people of New Hampshire.

USNH takes pride in its market-driven, business-like operating philosophy. This philosophy focuses on performance and accountability, by maintaining excellent stewardship and extremely efficient operations. New Hampshire is 50th in the nation in terms of operating appropriations per capita for public higher education, but the autonomy and independence of USNH has enabled it to be agile and responsive to external opportunities and challenges. On average, USNH institutions

spend 15% less per student than similar colleges and universities nationally while consistently outpacing comparable benchmarks of student success such as retention and graduation rates. In fact, Moody's Investors Service, in its rating analysis relative to USNH's most recent bond issue, referred to USNH's "prudent budgeting, effective cost controls, and astute market pricing," and further stated:

*"Moody's believes that the System's long exposure to operating with modest state funding has helped it become more efficiently managed and capable of sustaining operating surpluses in the future. The historic lack of a large endowment, as well as the lack of a medical school and heavy research overhead, are other factors contributing to a leaner management style."*

Moody's provided an underlying rating of A-1 to the USNH bonds, reflecting good financial strength. USNH institutions collectively have earned this rating by focusing most of their resources on providing affordable and accessible programs and services of high quality. For example, UNH is consistently ranked among the top 50 public universities by *US News and World Report*, and ranked in the top ten nationally for graduation rates.

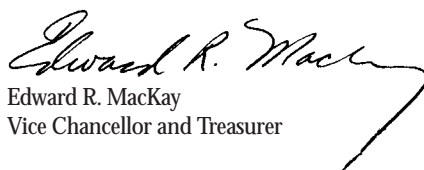
While state operating appropriations represent only 15% of total revenues, it is a solid and dependable revenue source, enabling USNH to perform long-term strategic planning and manage resources most effectively. Moody's median for A-1 rated public universities and systems for state appropriations per full-time equivalent student was \$7,834 for 2002 (Moody's medians for 2003 are not yet available). This compares to USNH's appropriation per student of \$3,520 for both 2003 and 2002 (appropriations per in-state student totaled \$5,820 for 2003 and \$5,661 for 2002).

While nonresident students pay tuition and fees at or above the actual cost of education, there is a direct relationship between the level of state appropriations and the level of tuition and fees charged to USNH in-state students. USNH has received level funding for 2004 and a 3% increase in state appropriations for 2005. USNH is very appreciative of this level of support given the challenging financial times the state is currently facing. The appropriation for USNH was enthusiastically supported by many legislators and reflects the positive and growing partnership USNH enjoys with the state. A crucial element of USNH's ability to hold the cost of tuition down while providing excellent value to our students will be our continued strong relationship with the state.

As detailed in the pages that follow, USNH has had two essentially breakeven years in a row. Total financial resources (defined as total net assets, except net invested in capital assets) declined in 2002 and grew marginally this year. Over the long-term, management's objective is to increase total financial resources at a rate slightly greater than the rate of growth of operations. This will ensure continued flexibility for unexpected contingencies and opportunities.

USNH has always been undercapitalized relative to the median for A-1 rated public universities and university systems. For example, total financial resources per full-time equivalent student at USNH were \$11,473 in 2002 compared to the Moody's median of \$14,368. The corresponding USNH figure for 2003 has dropped to \$11,011, primarily due to an increase in enrollment. (Moody's 2003 data are not yet available.) This has both positive and negative implications. On the negative side, this indicates that USNH has fewer financial resources to draw upon during sustained periods of financial difficulty. USNH mitigates this downside risk by anticipating fluctuations in revenues and expenses, by remaining agile in its ability to respond to opportunities and challenges, and by carefully managing its limited resources. On the positive side, being undercapitalized means that state taxpayers and students at USNH institutions get a larger return on their investments since more learning and service is conducted with fewer dollars of capital. By making efficient use of limited financial resources, USNH will continue to provide exceptional value for the people of New Hampshire.

We urge readers to explore the details of Management's Discussion and Analysis, the financial statements, and the notes to the financial statements in order to fully understand the financial operations and condition of the University System of New Hampshire.

  
Edward R. MacKay  
Vice Chancellor and Treasurer

  
Kenneth B. Cody  
Associate Vice Chancellor for Finance

# Management's Responsibility for Financial Reporting and Internal Controls

The accompanying financial statements, footnotes, management's discussion and analysis, and all information in this Annual Financial Report are the responsibility of management. Management has prepared the financial statements and accompanying notes in accordance with generally accepted accounting principles and, in the process, has made judgments and estimates which affect the amounts as reported. Management is responsible for the integrity and objectivity of all representations in this report.

The financial reporting process utilizes an on-line budgeting and accounting system with spending controls on operating funds and electronic access and approvals. Managers of all USNH funds have continual on-line access to the status of their accounts in order to measure operating results against the annual budget and to assure effective custodianship of funds. Transactions as recorded in the accounting system are aggregated and reflected in regular monthly reports to management, in periodic interim reports to the Board of Trustees' Financial Affairs Committee, and in the annual audited financial statements, approved by the full Board.

The internal control systems include an organizational structure that provides for careful recruitment and training of qualified personnel, proper segregation of financial duties, and a program of regular internal audits. These controls are designed to ensure that assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with management's authorization, and such transactions are recorded properly, resulting in financial statements that are free from material misstatement. According to the *Internal Control – Integrated Framework* report published by the National Commission on Fraudulent Financial Reporting (the Treadway Commission), internal controls can be judged effective if

management has “reasonable assurance that (1) they understand the extent to which the entity's operating objectives are being achieved, (2) published financial statements are being prepared reliably, and (3) applicable laws and regulations are being complied with.” Based on these requirements it is management's opinion that the internal control systems employed by USNH are effective.

The Executive Committee of the Board of Trustees is responsible for overseeing USNH's financial reporting process and internal control systems, as well as for recommending and engaging independent public accountants for the annual audit. The internal auditors, while employees of USNH, are nevertheless objective in the planning, conducting and reporting of their audits. The Executive Committee, the voting members of which are solely outside trustees, meets at least semi-annually and at the request of the Director of Internal Audit. Both internal and external auditors have unencumbered access to the Executive Committee at all times.

PricewaterhouseCoopers LLP, certified public accountants, have issued their unqualified opinion as to the fair presentation of the financial statements that follow. Thus, for all forty years of its existence, USNH has received only unqualified opinions from its independent auditors. As part of their audit, PricewaterhouseCoopers LLP assessed the accounting principles used and significant estimates made by management. Although it is not practical to examine all transactions and account balances, the auditors have conducted a study and evaluation of USNH internal control systems and performed tests of transactions and account balances to provide reasonable assurance that the financial statements are free from material misstatement.

The Report of Independent Auditors, which expresses the auditors' opinion on the 2003 financial statements, is reproduced on the following page.

## Report of Independent Auditors

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

In our opinion, the accompanying combined statements of net assets and the related combined statements of revenues, expenses and changes in net assets and cash flows, present fairly, in all material respects, the financial position of the University System of New Hampshire (USNH) at June 30, 2003 and 2002, and its combined revenues, expenses and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of USNH's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, USNH adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, as of June 30, 2003.

The Management's Discussion and Analysis on pages 5 through 13 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

September 5, 2003



# Management's Discussion and Analysis

## Introduction

The following unaudited Management's Discussion and Analysis (MD&A) is supplemental information required by the Governmental Accounting Standards Board (GASB). This discussion includes an analysis of the financial condition and results of activities of the University System of New Hampshire (USNH) for the fiscal year ended June 30, 2003 compared with the prior year. It is designed to assist readers in understanding the accompanying financial statements. Therefore, it should be read in conjunction with the financial statements and related footnotes. The financial statements, footnotes, and this discussion and analysis are the responsibility of management.

The University System of New Hampshire is a 501(c)(3) corporation organized under the laws of the State of New Hampshire. USNH serves the people of the state as its largest provider of higher education. USNH accomplishes its charge by operating four institutions that collectively offer a full array of higher education options for the state. These institutions include the University of New Hampshire (UNH), with campuses in Durham and Manchester; Keene State College (KSC); Plymouth State University (PSU); and the College for Lifelong Learning (CLL). In addition, UNH operates the state's only public television station, New Hampshire Public Television (NHPTV). Also included in the accompanying financial statements are two legally separate affiliated entities for which USNH is financially accountable under GASB rules: the Keene Endowment Association (KEA) and the University of New Hampshire Foundation, Inc. (UNHF). For further information about the specific activities of KEA or UNHF, or for their separately issued financial statements, interested parties are encouraged to contact the Treasurers of those entities directly.

## Financial Highlights and Economic Outlook

Operating revenues were strong in 2003, including net tuition and fees revenue (up 12% from 2002), grants and contracts revenue (up 5%), and auxiliary enterprise revenue (up 10%). The combined credit enrollments at the three residential campuses of USNH (UNH at Durham, KSC and PSU) have been growing steadily since 1998 with sustained, and in many cases improved, quality of students, faculty and programs. Operating revenues are expected to remain strong in 2004.

State appropriations for general operations have shown steady, moderate growth for the past twenty years. On September 4, 2003 the Governor signed into law the

state's biennial budget, including a 2004 appropriation for USNH equal to that of 2003 and a 2005 appropriation which is 3% higher than 2004. Still, growth in state support is not keeping pace with the growth of USNH. The result is that USNH relies heavily on other revenue streams to maintain its quality programs. State support as a percentage of total gross revenues has declined to a new low of 15% in 2003 and is expected to decline further in 2004, driving tuition increases of 7% - 9% for students at UNH, KSC, and PSU in 2004.

Donor giving is down in 2003 and will likely continue to be depressed in 2004 due to general economic conditions. The UNH Foundation completed its \$100 million "Next Horizon" capital campaign in 2002 and is planning for another capital campaign.

Short-term investment income, an important source of revenue for campus operating expenses, has decreased from \$5.4 million in 2002 to \$3.4 million in 2003 due primarily to a reduction in interest rates over the period caused by the Federal Reserve Board's monetary policy. Budgeted distributions of short-term investment income to fund campus operations have been reduced for the next few years to more accurately reflect expected earnings. Management expects total short-term investment income to improve slightly in 2004 through strong cash management and investment policies.

While many universities may be increasing the endowment spending rate to mitigate the effect of reduced market values, USNH reduced its endowment payout rates to reflect lower long-term investment return expectations. Payout rates were reduced in 2003 and again in 2004 for all pooled endowment funds. Distributions from individual true endowments with a market value below the historic gift value are limited to 1% in 2004 - well below the expected investment yield. The result of these decreases has been a drop in endowment income used for operations from \$11.1 million in 2002 to \$7.8 million in 2003. The 2004 payout will be slightly less than that of 2003, resulting in a decreased dependence on endowments to fund ongoing programs at USNH, and an increased investment for future generations.

The University System of New Hampshire has a long tradition of efficient operations, tight spending controls, and balanced budgets. Fiscal year 2003 was no different. The Statement of Revenues, Expenses and Changes in Net Assets on page 15 reports a net loss from normal, recurring activities before other changes in net assets of \$3.4 million. The net loss of \$3.4 million in 2003

compares to net income of \$1.4 million in 2002 and \$14.8 million in 2001. The past two years of essentially breakeven results have been particularly difficult, not only for USNH, but also for most public higher educational institutions. USNH had anticipated the lack of adequate revenues and budgeted use of its reserves (savings) to balance the budget and temporarily bridge the resource gaps of the past two years.

The use of reserves to balance the budget was a short-term strategy that was successful in maintaining access to quality and affordable programs at USNH institutions, but it is not a strategy that is sustainable. Over the past two years, management and trustees have worked relentlessly to control the cost of employee health benefits and bring programmatic spending in line with the new realities of long-term expected investment returns. Employer healthcare costs increased at a rate of 30% in 2002 compared with 8% in 2003. Because of cost mitigation strategies and employee cost sharing implemented during 2002 and 2003, management expects the net 2004 healthcare cost increase to be less than that of 2003. Other campus operating costs have been reduced to accommodate a greater proportion of the budget spent on employee compensation and benefits.

Despite the \$3.4 million loss from recurring activities noted above, total net assets of USNH have increased \$27.8 million over the past year primarily as a result of state capital appropriations under the Knowledge Economy Education Plan for New Hampshire (KEEP NH). USNH anticipates further increases in net assets in 2004 due to improved results from recurring activities, improved investment returns, and continued investment by the state in KEEP NH facilities.

## Using the Financial Statements

### Statement of Net Assets

The Statement of Net Assets depicts the financial position of USNH as of one point in time – June 30 – and includes all assets and liabilities of USNH and its component units. The Statement of Net Assets is the primary statement used to report financial condition. Assets are measured in current values, except for property and equipment, which are shown at historical cost less accumulated depreciation. Net assets represent the residual interest in the University System's assets after liabilities are deducted. Over time, an increase in net assets is one indicator of an institution's improving financial health. Factors contributing to future financial health include the size and quality of student applications, satisfaction and retention of students, quality and distinction of the faculty, growth and diversification of revenue streams, and prudent management of costs and assets. Table 1 below shows a condensed Statement of Net Assets.

Total assets increased by \$22.2 million during 2003 to a total of \$884.1 million. Total assets are categorized as either current assets or noncurrent. Current assets are generally considered to be convertible to cash within one year. In addition to cash and cash equivalents and short-term investments, the other major component of current assets is accounts receivable.

Noncurrent assets are comprised mainly of investments, notes receivable and property, plant and equipment. Noncurrent assets increased during 2003 by \$38.5

**Table 1: Condensed Statement of Net Assets as of June 30**  
(\$ in millions)

	<u>2003</u>	<u>2002</u>
Current assets	\$177.6	193.9
Property, plant and equipment	503.6	439.1
Other assets	202.9	228.9
<b>Total assets</b>	<b><u>\$884.1</u></b>	<b><u>861.9</u></b>
Current liabilities	\$ 71.8	74.4
Noncurrent liabilities	288.7	291.7
<b>Total liabilities</b>	<b><u>\$360.5</u></b>	<b><u>366.1</u></b>
Invested in capital assets, net	\$306.3	280.0
Restricted	174.5	174.4
Unrestricted	42.8	41.4
<b>Total net assets</b>	<b><u>\$523.6</u></b>	<b><u>495.8</u></b>



million primarily due to increases in property and equipment related to the KEEP NH projects. The decrease in investments held by bond trustee (\$31.5 million) is offset by the increase in property and equipment (\$64.5 million) and reflects utilization of proceeds from bonds issued in March 2001 for construction of student auxiliary facilities (see Capital and Debt Activities below for more details).

Liabilities are categorized as either current or noncurrent. Current liabilities, amounts becoming due and payable in cash or services within the following twelve months, decreased by \$2.6 million during 2003. The majority of the decrease was caused by fewer construction projects in process at June 30, 2003 compared to June 30, 2002.

Current assets minus current liabilities represent the net working capital of USNH. Net working capital decreased over the past year from \$119.5 million to \$105.8 million, primarily reflecting planned use of reserves to balance the budget for 2003. The net working capital at year-end represented approximately 77 days of 2003 operating expenses, down from 92 days in 2002. This indicates that USNH could support normal operations for 77 days without additional revenues or liquidating noncurrent assets. The current ratio, which is current assets divided by current liabilities, declined during the year from 2.6 to 1 at June 30, 2002 to 2.5 to 1 at June 30, 2003, but still indicates good short-term financial flexibility.

Noncurrent liabilities have remained fairly steady over the past year and are primarily comprised of three items: government advances refundable, accrued employee benefits, and long-term debt. Government advances refundable represent amounts provided by the U. S. Government under the Perkins Loan Program which would be refundable should USNH cease operating its revolving loan programs. Accrued employee benefits are estimated amounts due for expenses incurred but not yet paid in cash, the largest of which is postretirement medical benefits. This liability is calculated on an actuarial basis similar to methods used by private universities and for-profit corporations (see Note 6 to the Financial Statements for further details). The long-term debt of USNH primarily consists of bonds and capital leases payable, less the current portion due within the next year.

## Capital and Debt Activities

During 2001, USNH issued bonds in the amount of \$151.2 million, \$100.5 million of which was "new money" used to finance the cost of seven student-related construction projects on the three residential campuses. As of September 1, 2003 all projects are occupied, functional, on schedule and on budget, including two major student residences and a dining facility at UNH, student residences and a student

recreation facility at KSC, and a dining facility expansion and infrastructure improvements at PSU. These projects have increased capacity and improved student life and safety on the campuses. Each of the three residential campuses currently house approximately 50% of their traditional age undergraduate populations. While no specific plans currently exist to seek additional debt financing, the long-term strategic objective of each campus is to house approximately 55% to 65% of its students. Planning for this strategic objective will be refined in 2004.

The KEEP NH legislation signed into law in July 2001 resulted in an initial \$100 million commitment from the state to fund the renovation and expansion of teaching and research facilities, primarily for science and technology. The five individual projects on the three residential campuses that comprise the KEEP NH initiative are designed to significantly improve opportunities for effective learning for USNH students and bolster the state's job market. The State of NH is number three in the country with respect to high-tech jobs per capita and KEEP NH is designed to help New Hampshire retain that advantage. All KEEP NH projects are on schedule and on budget. Three of the projects are occupied and in use as of September 1, 2003, including Murkland Hall at UNH, the Mason Library at KSC, and the Boyd Hall Science Building at PSU. In addition, NHPTV has completed the conversion to digital transmission, an effort partially funded by KEEP NH. USNH has proposed a second appropriation of nearly \$100 million to complete the KEEP NH plan but no definite commitment has been made by the state at this time.

See Notes 5 and 7 to the Financial Statements for further information on capital and debt activities.

## Net Assets

Net assets are reported in three categories. Invested in capital assets, net of related debt represents the historical cost of property and equipment, reduced by the balance of related debt outstanding and depreciation expense charged over the years. Restricted net assets have two subcategories. Restricted nonexpendable net assets represent the historic gift value of amounts required by donors to be invested in perpetuity. Restricted expendable net assets include funds already expended or committed such as loan funds, accumulated net gains on restricted permanent true endowments, and restricted funds functioning as endowments. Unrestricted net assets are primarily amounts designated or committed to support specific academic and research programs and capital construction projects. Net assets totaled \$523.6 million and \$495.8 million on June 30, 2003 and 2002, respectively. Total net assets increased by \$27.8 million during the fiscal year ended June 30, 2003. As discussed above, this increase is primarily the result of funding for the KEEP NH projects.

## Unrestricted Net Assets

Net assets that are not subject to externally imposed restrictions governing their use are classified according to generally accepted accounting principles as unrestricted net assets. However, substantially all of these net assets are restricted internally and are committed for goods and services that have not yet been received, capital projects in various stages of planning and completion, and normal working capital balances maintained for departmental activities. Accordingly, unrestricted net assets include not only unrestricted current fund balances, but also balances in unrestricted loan funds, unrestricted funds functioning as endowment, unexpended plant funds, and unrestricted funds held by affiliated entities. Relevant comparative data is available in Note 9 to the Financial Statements and in Chart 1 below.

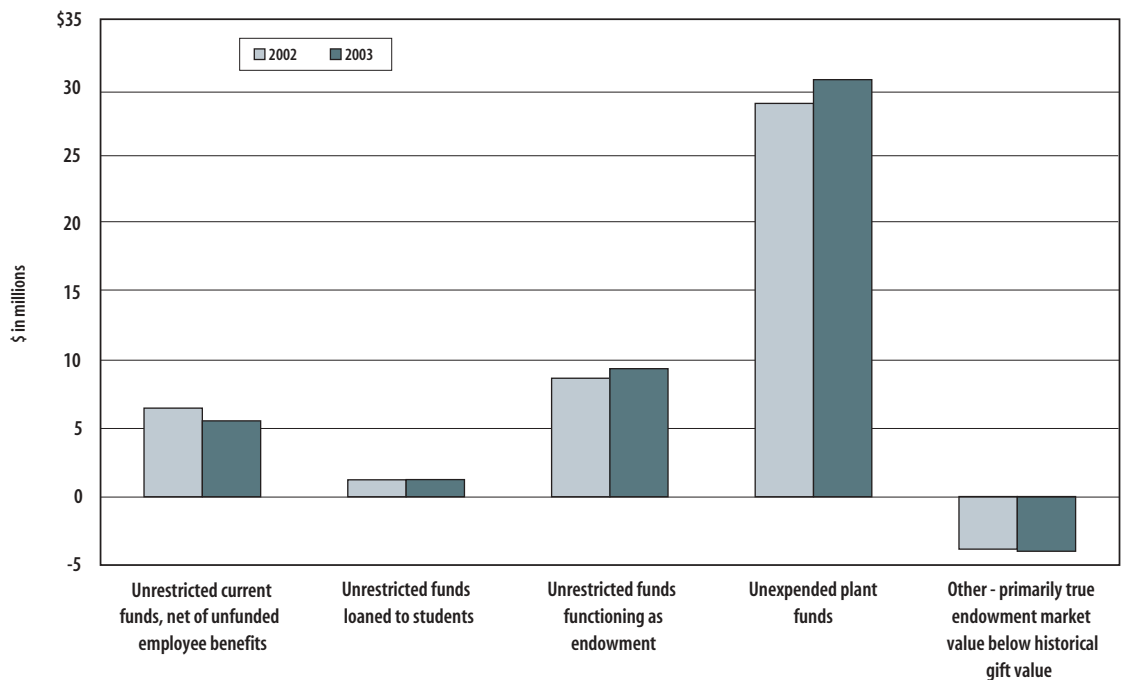
As a result of the equity markets' downturn of recent years, USNH has adjusted unrestricted net asset balances for individual true endowment investments below their historic gift value (often referred to as "underwater endowments"). At June 30, 2003 and 2002 these adjustments totaled approximately \$4.6 million and \$5.5 million, respectively. Management believes these adjustments are temporary and will not require permanent funding. See Note 9 to the Financial Statements for further information. Endowment and similar investments are discussed in more detail below.

## Endowment and Similar Investments

GASB requires colleges and universities to report endowment funds in three separate net asset categories. USNH further defines these categories, depending on restriction and availability for expenditure, into seven separate lines on the Statement of Net Assets. The value of the original true endowment gift, plus any subsequent additions by the donor with similar restrictions, is shown as the historic gift value of endowment for campuses and affiliated entities in the restricted nonexpendable net assets category. Accumulated net gains on endowment represent reinvestment of total returns in excess of annual spending, and are reported in the restricted expendable category. In general, the longer the funds have been invested, the larger the accumulated net gains. The market value of restricted funds functioning as endowment also appears in the restricted expendable category. This line represents gifts restricted as to purpose by donors that the governing boards have subsequently determined to invest long-term with the intent that only a portion of the total returns be spent each year.

The remaining endowment and similar funds are unrestricted amounts that the governing boards have decided to invest long-term similar to endowments. This latter category is included in unrestricted net assets on the Statement of Net Assets. The largest unrestricted fund

Chart 1: Unrestricted Net Assets at June 30



functioning as endowment supports the annual costs of the Operating Staff Retirement Program. Other unrestricted funds functioning as endowments support important educational programs and services, such as the UNH library acquisitions fund, the UNH at Manchester academic initiatives fund, and the USNH long-term contingency fund. In addition, as noted above under Unrestricted Net Assets, individual true endowments with an historic book value in excess of current market value are shown as a charge against unrestricted net assets.

Endowment gifts are invested in various ways depending on whether the donor gave to one of the campuses, the UNH Foundation, or the Keene Endowment Association. Most endowments are invested in one of two internally managed investment pools as shown in the table below: the USNH Consolidated Investment Pool (CIP) for the benefit of several campuses (designated as "campuses" in the accompanying financial statements), or the UNHF investment pool for the benefit of UNH only (shown as part of "affiliated entities" in the financial statements). The investment pools are managed to provide the highest rate of return over a very long time horizon given an acceptable level of risk as determined by the responsible fiduciaries. The USNH Board of Trustees has fiduciary responsibility for the CIP, whereas the separate boards of UNHF and KEA have their own investment policies and are separately responsible for those investments. Table 2 below shows endowment activity in summarized form.

The past year was better than the past two years but still disappointing in terms of investment results. The CIP and UNHF investment pools had total returns of 4.6% and 5.4%, respectively, for the year ended June 30, 2003. (Preliminary results of the Common Fund Benchmarks Study for 2003 show an average total return of 2.9%.) For the previous twelve months the pools recorded losses of 9.8% and 3.5%, respectively. Total return on all endowment and similar investments for the year ended June 30, 2003 was a positive \$6.6 million as compared to the negative \$13.7 million in 2002.

Endowments invested in the CIP or UNHF investment pools are invested on a unit basis similar to mutual funds where each new dollar buys a number of shares in the pool. The CIP and UNHF pools are subject to spending policies of their respective Boards. The spending policies are designed to provide for growing endowment investments over time so that they will generate returns adequate to continue support for future expenses in perpetuity assuming moderate levels of inflation. Distributions from the primary pools were limited to 5.75% and 6.5% of the twelve quarter moving average of unit market values in 2003 and 2002, respectively. Endowment income used for operations from all sources including the CIP and the UNHF pool was \$7.8 million in 2003 and \$11.1 million in 2002. The decrease was the result of management's objective to preserve more endowment principal for future generations. Due to the performance of investments over the past three years, USNH and UNHF are continuing to examine spending policies to balance the short-term and long-term needs of USNH.

Since endowment and similar funds are invested for long-term results rather than short-term annual returns, it is important to reflect on the longer investment horizon. In eight of the ten years ending June 30, 2002 the USNH CIP exceeded the average college endowment return as measured by the National Association of College and University Business Officers (2003 figures are not yet available). Over the past ten years, the USNH CIP has earned an average total return of 9%, paid out an average of 6%, and reinvested the balance of an average 3% each year. The reinvested funds help preserve the purchasing power of the endowment for future periods. In late 2002, USNH hired investment advisors to assist with asset allocation policy, investment manager selection and other investment strategies to ensure that USNH is properly diversified and earning the best long-term returns given acceptable risk. Substantial changes in the asset allocation and specific investment vehicles were also implemented during 2003.

See Notes 4, 9 and 10 to the Financial Statements for further information on endowment and similar investments.

**Table 2: Endowment Activity for the year ended June 30, 2003**  
(\$ in millions)

	USNH Campuses		Affiliated Entities			Total
	Pooled	Other	UNH Foundation		KEA	
			Pooled	Other	Pooled	
Beginning market value	\$72.9	14.9	64.4	3.0	3.4	158.6
Gifts	1.5	-	4.0	0.1	-	5.6
Other additions (deductions)	1.7	(0.3)	(0.1)	(0.1)	-	1.2
Total return	2.9	0.3	3.4	0.1	(0.1)	6.6
Total distribution	(4.7)	(0.8)	(2.2)	-	(0.1)	(7.8)
Ending Market Value	\$74.3	14.1	69.5	3.1	3.2	164.2

## Statement of Revenues, Expenses and Changes in Net Assets

The total change in USNH net assets for the year is reported in the Statement of Revenues, Expenses and Changes in Net Assets. This statement reports total operating revenues, operating expenses, nonoperating revenues and expenses, and other changes in net assets, as prescribed and defined by GASB. Table 3 below shows a condensed Statement of Revenues, Expenses and Changes in Net Assets.

Generally, operating revenues are earned by USNH in exchange for providing goods and services. Operating expenses are defined as expenses incurred in the normal operation of the University System, including a provision for estimated depreciation on property and equipment assets. The difference between operating

revenues and operating expenses is the operating loss. GASB requires significant recurring revenues to be shown as nonoperating, including state general appropriations, noncapital gifts, short-term investment income, and endowment income used in operations. These diversified revenue streams are a particular strength of USNH and are critically important sources of funds used to supplement tuition and fees revenue in the delivery of USNH programs and services. Said another way, the regular operating expenses of USNH are funded in part by revenues shown as nonoperating. As a result of the required format and labels, USNH operating expenses will always exceed operating revenues, and USNH will report an operating loss every year. Furthermore, the reported operating loss is expected to grow over the years to the extent these nonoperating revenues are depended upon to fund operating expenses.

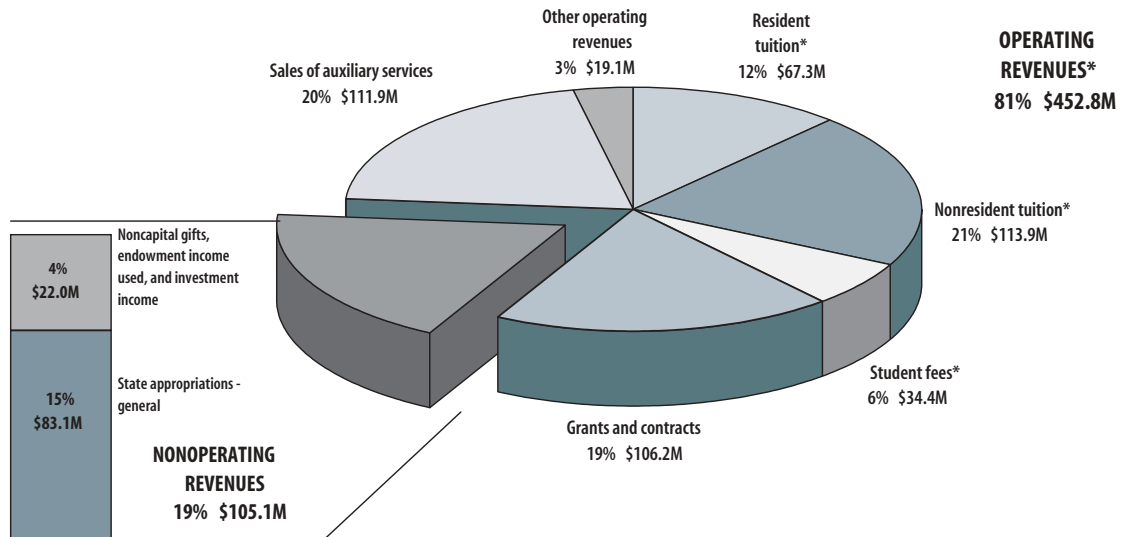
**Table 3: Condensed Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30**

(\$ in millions)

	2003	2002
Operating revenue	\$396.0	363.5
Operating expenses	497.6	463.8
Operating loss	(101.6)	(100.3)
Nonoperating revenues (expenses), net	98.2	101.7
Net income before other changes	(3.4)	1.4
Other changes in net assets	31.2	(9.7)
Net increase (decrease) in net assets	\$ 27.8	(8.3)

**Chart 2: Revenues**

TOTAL = \$557.9M

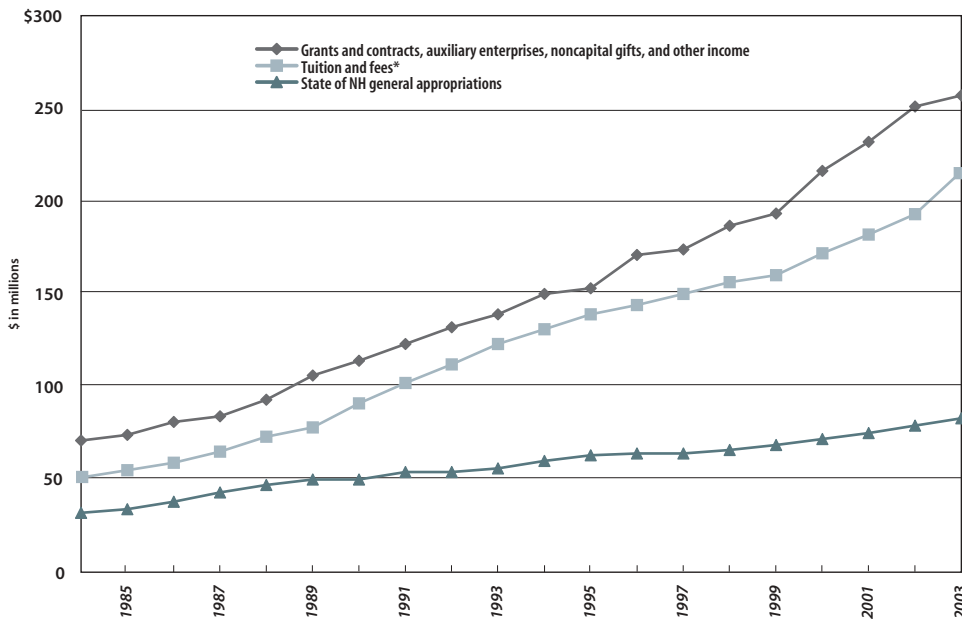


\*at gross amounts, not netted for student financial aid

## Revenues and Enrollments

Chart 2 on the previous page illustrates the sources of revenues used to fund USNH's operating expenses, financial aid expenses and net interest expense. During 2003 USNH received general appropriations of \$83.1 million which represents 15% of total revenues as shown on page 10. Over the past 20 years, USNH's sources of revenue have become more diversified, as shown in Chart 3 below.

**Chart 3: Twenty Year Revenue Comparison**  
(excludes plant and endowment additions)



\* shown here at gross amounts, not netted for student financial aid

USNH maintains three residential campuses (UNH at Durham, KSC and PSU), an urban campus (UNH at Manchester) and ten regional sites of the College for Lifelong Learning. Fall credit enrollments at these institutions for the past five years are summarized in Table 4 below.

**Table 4: Fall Full-Time Equivalent (FTE) Credit Enrollment**

	1998	1999	2000	2001	2002
UNH at Durham	11,931	12,059	12,120	12,262	12,905
KSC	3,909	3,995	4,093	4,196	4,515
PSU	3,551	3,462	3,569	3,799	4,022
Total FTEs For Residential Campuses	19,391	19,516	19,782	20,257	21,442
UNH at Manchester	804	757	753	824	899
CLL	1,398	1,514	1,403	1,402	1,265
Total USNH FTEs	21,593	21,787	21,938	22,483	23,606
Resident	13,854	13,764	13,696	13,978	14,276
Nonresident	7,739	8,023	8,242	8,505	9,330
Total USNH FTEs	21,593	21,787	21,938	22,483	23,606

Since 1998 credit enrollments at UNH at Durham, KSC and PSU have increased 11%, or 2,051 FTE students. This increase has not come at the expense of diminished quality. Approximately 35% of UNH at Durham new students ranked in the top 20% of their high school class, compared with 15% for KSC and 13% for PSU. Combined SAT scores average 1104 at UNH at Durham, 996 at KSC and 967 at PSU. Of the 20,441 students who applied for admission in the fall of 2002 at UNH at Durham, KSC and PSU, 15,600 were accepted and 5,965 ultimately enrolled, continuing the strong demand trend.

### Expenses

Operating expenses totaled \$497.6 million in 2003 as compared to \$463.8 million in 2002. Expenses are reported by natural category in the Statement of Revenues, Expenses and Changes in Net Assets. They are also shown by function in Note 11 to the Financial Statements.

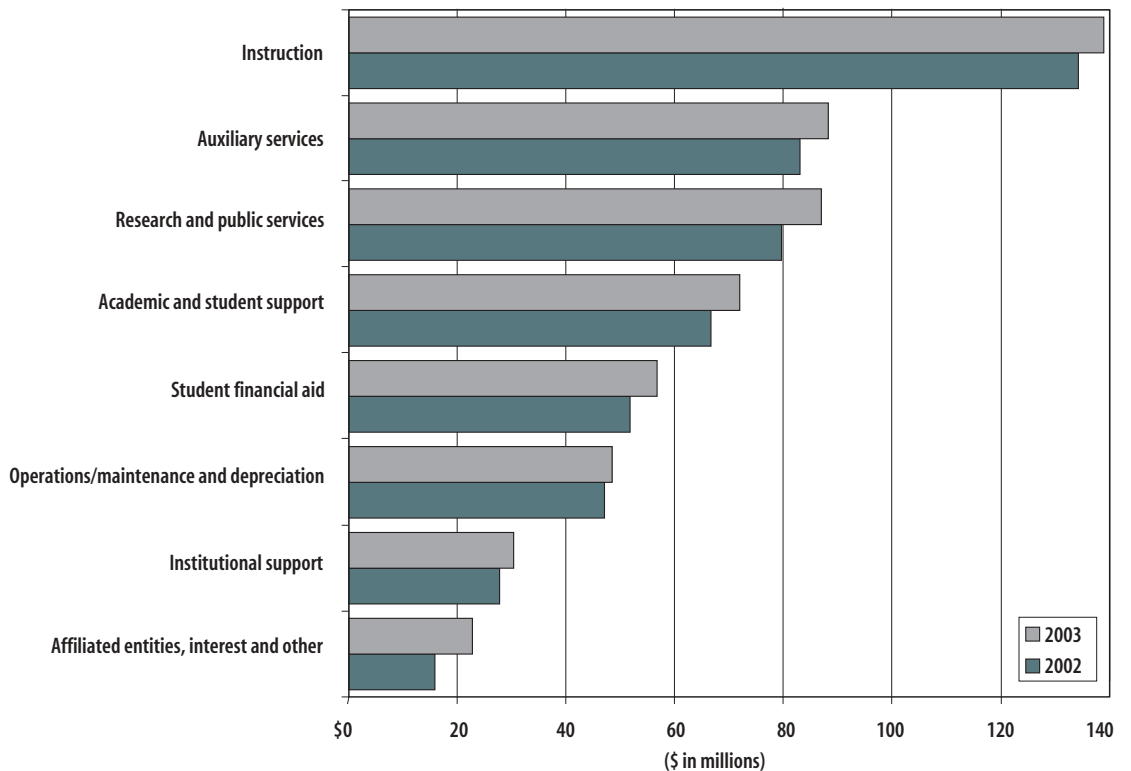
Expenditures for property and equipment are recorded as additions to assets in the Statement of Net Assets with

the related depreciation classified as an operating expense. Interest expense on the related debt service (net of capitalized interest during construction and interest income earned in bond-funded construction accounts) is recorded as a nonoperating expense, whereas the principal payments required on the debt are shown as a reduction of the corresponding liability.

Employee compensation and benefits expense increased \$18.7 million or 6% over last year, due in large part to the success of increased sponsored research awards to UNH, temporary help hired to assist with a major software implementation, staffing of new buildings brought on line in 2003, and normal salary and benefit cost increases.

Chart 4 below summarizes USNH total expenses by function, including interest expense as well as financial aid expenses reflected on the Statement of Revenues, Expenses and Changes in Net Assets as an allowance against tuition and fee revenue:

Chart 4: Expenses by Functional Classification



## Statement of Cash Flows

The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal period. Table 5 below shows a condensed Statement of Cash Flows.

**Table 5: Condensed Statement of Cash Flows for the years ended June 30**  
(\$ in millions)

	<u>2003</u>	<u>2002</u>
Cash flows from:		
Operating activities	\$(73.1)	(68.6)
Noncapital financing activities	96.7	88.4
Capital financing activities	(76.1)	(61.1)
Investing activities	<u>75.8</u>	<u>16.8</u>
Increase (decrease) in cash and cash equivalents	<u>\$ 23.3</u>	<u>(24.5)</u>

Cash flows from operating activities will always be different from the operating loss on the Statement of Revenues, Expenses and Changes in Net Assets because of noncash items, such as depreciation expense, and because the latter statement is prepared on the accrual basis of accounting, meaning that it shows revenues when earned and expenses as incurred. The Statement of Cash Flows, on the other hand, shows cash inflows and outflows without regard to accrual items. The primary purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments of USNH during the year. It should also help readers assess the ability of USNH to generate the future cash flows necessary to meet its obligations and evaluate its potential for additional financing.

GASB requires that general appropriations from the State of NH and noncapital gifts be shown as cash flows from noncapital financing activities. Included in cash flows from capital financing activities are all plant funds (except depreciation and amortization) and related long-term debt activities, as well as gifts to the endowment. This includes Project KEEP and bond construction amounts expended. Cash flows from investing activities shows all uses of cash and cash equivalents to purchase investments, and all increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments. The net cash provided by investing activities is made up of bond investments sold to finance associated construction expenditures, and the conversion of short-term investments into cash equivalents during the year.

# University System of New Hampshire

(including UNH Foundation, Inc. and Keene Endowment Association)

## Statements of Net Assets

(\$ in thousands)

	Balance at June 30,	
	2003	2002
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 100,271	76,975
Short-term investments	43,888	78,856
Accounts receivable	26,379	30,941
Notes receivable - current portion	2,644	2,589
Prepaid expenses and other current assets	4,445	4,515
<b>Total Current Assets</b>	<b>177,627</b>	<b>193,876</b>
<b>Noncurrent Assets</b>		
Investments held by bond trustee	15,485	47,032
Endowment and similar investments - campuses	88,423	87,789
Endowment and similar investments - affiliated entities	75,773	70,832
Pledges receivable	2,089	2,152
Notes receivable	18,883	18,746
Property and equipment, net	503,576	439,120
Other assets	2,221	2,282
<b>Total Noncurrent Assets</b>	<b>706,450</b>	<b>667,953</b>
<b>TOTAL ASSETS</b>	<b>\$884,077</b>	<b>861,829</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 36,835	43,469
Deposits and deferred revenues	24,722	21,564
Accrued employee benefits - current portion	7,227	7,397
Long-term debt - current portion	2,994	1,938
<b>Total Current Liabilities</b>	<b>71,778</b>	<b>74,368</b>
<b>Noncurrent Liabilities</b>		
Obligations under life income agreements	1,598	1,526
Government advances refundable	17,310	17,214
Accrued employee benefits	67,254	67,589
Long-term debt	202,569	205,376
<b>Total Noncurrent Liabilities</b>	<b>288,731</b>	<b>291,705</b>
<b>TOTAL LIABILITIES</b>	<b>\$360,509</b>	<b>366,073</b>
<b>NET ASSETS</b>		
<b>Invested in Capital Assets, net of related debt</b>	\$ 306,273	279,974
<b>Restricted Nonexpendable</b>		
Historic gift value of endowment - campuses	39,696	38,939
Historic gift value of endowment - affiliated entities	70,317	66,230
<b>Restricted Expendable</b>		
Campuses		
Accumulated net gains on endowment	25,250	27,073
Market value of funds functioning as endowment	8,876	6,495
Life income and annuity funds	840	787
Gifts, grants and contracts	12,594	18,229
Loan funds	5,459	5,296
Affiliated entities		
Accumulated net gains on endowment	4,755	4,713
Other	6,732	6,626
<b>Unrestricted (see Note 9)</b>	<b>42,776</b>	<b>41,394</b>
<b>TOTAL NET ASSETS</b>	<b>\$523,568</b>	<b>495,756</b>

*The accompanying notes are an integral part of these financial statements.*



**University System of New Hampshire**  
*(including UNH Foundation, Inc. and Keene Endowment Association)*  
**Statements of Revenues, Expenses and Changes in Net Assets**  
(\$ in thousands)

	<b>For the year ended June 30,</b>	
	<b>2003</b>	<b>2002</b>
<b>OPERATING REVENUES</b>		
Tuition and fees	\$ 215,548	193,491
Less: student financial aid	(56,718)	(51,773)
Net tuition and fees	158,830	141,718
Grants and contracts	106,149	100,970
Sales of auxiliary services	111,931	101,996
Other operating revenues	19,150	18,748
<b>TOTAL OPERATING REVENUES</b>	<b>396,060</b>	<b>363,432</b>
<b>OPERATING EXPENSES</b>		
Employee compensation and benefits	329,793	311,126
Supplies and services	125,711	113,255
Utilities	13,857	12,498
Depreciation and amortization	28,265	26,895
<b>TOTAL OPERATING EXPENSES</b>	<b>497,626</b>	<b>463,774</b>
Operating loss	(101,566)	(100,342)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State of New Hampshire general appropriations	83,090	79,134
Noncapital gifts - campuses	8,205	5,803
Noncapital gifts - affiliated entities	2,608	6,186
Short-term investment income	3,434	5,418
Endowment income used for operations	7,770	11,076
Interest expense, net	(6,978)	(5,840)
<b>NET (LOSS) INCOME BEFORE OTHER CHANGES IN NET ASSETS</b>	<b>(3,437)</b>	<b>1,435</b>
<b>OTHER CHANGES IN NET ASSETS</b>		
State of New Hampshire capital appropriations	26,067	5,687
Plant gifts, grants and contracts	923	1,206
Endowment gifts - campuses	1,514	1,250
Endowment gifts - affiliated entities	4,087	9,064
Realized and unrealized endowment gains(losses), net - campuses	1,653	(13,390)
Endowment gains utilized in support of distributions - campuses	(3,748)	(3,980)
Realized and unrealized endowment gains(losses), net - affiliated entities	1,568	(4,860)
Endowment gains utilized in support of distributions - affiliated entities	(637)	(2,579)
Other nonoperating revenues (expenses), net	(178)	(2,113)
<b>TOTAL OTHER CHANGES IN NET ASSETS</b>	<b>31,249</b>	<b>(9,715)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>27,812</b>	<b>(8,280)</b>
Net assets at beginning of year	495,756	504,036
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 523,568</b>	<b>495,756</b>

*The accompanying notes are an integral part of these financial statements.*

**University System of New Hampshire**  
(including UNH Foundation, Inc. and Keene Endowment Association)

**Statements of Cash Flows**

(\$ in thousands)

	For the year ended June 30,	
	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees, net	\$ 159,985	143,178
Grants and contracts	108,632	95,714
Sales of auxiliary services	112,059	103,168
Other operating revenues	17,368	19,106
Payments to employees	(248,238)	(229,943)
Payments for employee benefits	(79,973)	(74,118)
Payments to suppliers and subcontractors	(142,967)	(125,672)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(73,134)</b>	<b>(68,567)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State general appropriations	83,090	79,134
Noncapital gifts	13,620	9,313
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>96,710</b>	<b>88,447</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
State appropriations for plant projects	25,674	3,885
Plant gifts, grants and contracts	923	1,206
Endowment gifts	5,601	10,314
Purchases of property, equipment, and construction services	(98,299)	(64,271)
Proceeds from sale and disposal of property and equipment		198
Proceeds from issuance of debt		43,153
Retirement of debt through defeasance		(43,393)
Debt principal payments	(1,996)	(3,054)
Interest expense	(8,010)	(9,169)
<b>NET CASH USED IN CAPITAL FINANCING ACTIVITIES</b>	<b>(76,107)</b>	<b>(61,131)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	211,295	100,771
Purchase of investments	(143,501)	(97,251)
Endowment investment income	3,699	3,911
Short-term investment income	2,711	5,568
Investment income on bond proceeds	1,623	3,771
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>75,827</b>	<b>16,770</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>23,296</b>	<b>(24,481)</b>
Beginning cash and cash equivalents	76,975	101,456
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$100,271</b>	<b>76,975</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>Operating loss</b>	(\$ 101,566)	(100,342)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>		
Depreciation and amortization	28,265	26,895
<b>Changes in current assets and liabilities:</b>		
Accounts receivable	1,434	(7,715)
Notes receivable	(96)	276
Prepaid expenses and other current assets	70	320
Accounts payable and accrued expenses	(1,432)	2,428
Deposits and deferred revenues	696	4,866
Accrued employee benefits	(505)	4,705
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(\$ 73,134)</b>	<b>(68,567)</b>

*The accompanying notes are an integral part of these financial statements.*

# Notes to the Combined Financial Statements

June 30, 2003

## 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 tax exempt under Section 501(c)(3) of the Internal Revenue Code. The accompanying financial statements include the accounts of the University of New Hampshire at Durham, the University of New Hampshire at Manchester, New Hampshire Public Television, Keene State College, Plymouth State University, the College for Lifelong Learning, and all wholly owned and operated auxiliary activities. These organizations are collectively referred to in the accompanying financial statements as the "campuses."

### Affiliated Entities

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires that all controlled organizations be presented as component units of the reporting entity. Accordingly, the financial statements also include the accounts of the University of New Hampshire Foundation, Inc. (UNHF) and the Keene Endowment Association (KEA). UNHF and KEA are collectively referred to in the accompanying financial statements as "affiliated entities." In compliance with the requirements of the authoritative pronouncements noted above, the associated revenues, expenses, assets, liabilities and net assets have been fully blended with those of the campuses, and all associated intercompany activity has been eliminated. The affiliated entities are further described below.

The University of New Hampshire Foundation, 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. UNHF is governed by its own Board of Directors, the membership of which includes the President of the University of New Hampshire and at least three other members of the USNH Board of Trustees. The University of New Hampshire funds a portion of the operating expenses of UNHF.

The Keene Endowment Association 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.

### New Accounting Standards

As of July 1, 2001 USNH early adopted the provisions of GASB Statement No. 39; there was no significant impact on the financial statement presentation.

USNH also early adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, during 2003. This statement requires disclosure of the credit risk associated with cash deposits and investment balances and the investment policies applied to mitigate such risks. Specific disclosures are included in Notes 2 and 4 below.

The GASB recently issued an Exposure Draft (ED) on *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Adoption of this ED is expected to have a material impact on the net assets of many public institutions of higher education. However, as discussed in Note 6, USNH already substantially complies with the proposed requirements contained in the ED including recording the accrued postretirement medical benefits liability.

### Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB using the "economic resources measurement focus" and the accrual basis of

accounting. In addition to following all GASB pronouncements, USNH applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict or contradict GASB pronouncements. USNH has elected not to apply FASB pronouncements issued after November 30, 1989.

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis for Public Colleges and Universities*, requires presentation of the following elements:

Management's Discussion and Analysis (as required supplemental information)  
Basic financial statements, which include the Statements of Net Assets; Statements of Revenues, Expenses, and Changes in Net Assets; and Statements of Cash Flows  
Notes to the financial statements

USNH follows the requirements of the "business-type activities" (BTA) model as defined by GASB Statement No. 35. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

In order to ensure observance of limitations and restrictions placed on the use of resources available, the accounts of USNH 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 activities or objectives specified. However, GASB requires that general purpose external financial statements be reported on a consolidated basis and that resources be classified into the following net asset categories:

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

**Restricted Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by USNH.

**Restricted Expendable:** Net assets whose use by USNH is subject to externally imposed stipulations. Such assets include the accumulated net gains on true endowment funds as well as the fair market value of restricted funds functioning as endowments, restricted funds loaned to students, restricted gifts and endowment income, and other similar restricted funds.

**Unrestricted:** Net assets that are not subject to externally imposed stipulations. Substantially all unrestricted net assets are designated to support academic, research, or auxiliary enterprises; invested to function as endowments; or committed to capital construction projects. Unrestricted net assets are detailed more fully in Note 9.

The preparation of financial statements in conformity with generally accepted accounting principles 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 date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. The most significant areas that require the use of management estimates relate to allowances for doubtful accounts, depreciation, and accruals for employee benefit liabilities.

Operating revenues include tuition and fees; federal appropriations, grants and contracts; auxiliary enterprise revenues; and sales and services of educational activities. 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 and amortization. Nonoperating revenues and expenses include all other revenues and expenses except capital additions/deductions, which represent certain changes in long-term plant and endowment net assets. 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.

Investments are maintained with established financial institutions whose credit is reviewed by management and the respective governing boards of USNH and its affiliated entities. Highly liquid investments purchased with an original maturity of 90 days or less are recorded as cash and cash equivalents. Purchases and sales of investment securities are recorded as of the trade date. Realized and unrealized gains and losses on endowment investments are reported net.

In addition to the amounts reported as accounts receivable, USNH had unearned grants and contracts for services not yet performed of \$73,965,000 and \$76,855,000 at June 30, 2003 and 2002, respectively. This revenue will be reported in subsequent financial statements when earned. Government grants and contracts also generally provide for reimbursement of facilities and administrative costs. Recovery of facilities and administrative costs for the years ended June 30, 2003 and 2002 was \$15,360,000 and \$13,455,000, respectively and is a component of grants and contracts revenue. USNH determines on a case-by-case basis whether to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Pledges for nonendowment gifts are presented net of estimated amounts deemed uncollectible after discounting to the present value of expected future cash flows. Because of uncertainties with regard to 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 totaling \$17,625,000 and \$22,719,000 at June 30, 2003 and 2002, respectively, which are expected to be received over the next nine years, are not recognized as assets in the accompanying financial statements.

Property and equipment are recorded at original cost or at market value on the date of donation in the case of a gift. Equipment with a unit cost of \$3,000 and building improvements with a cost of \$10,000 or greater are capitalized. Net interest costs incurred during the construction period for capital projects is capitalized and added to the cost of the assets. The costs of equipment under capital leases is equal to 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. Buildings and improvements are depreciated over useful lives ranging from 10 to 30 years. Depreciable lives for equipment range from 3 to 30 years. For financial statement purposes 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.

Deferred revenue consists 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. Future loans to students are made available from repayments of outstanding principal amounts plus accumulated interest received thereon.

Where the market value of individual true endowments is less than the historic gift value, the difference is recorded as a charge to unrestricted net assets, as detailed in Note 9.

Certain amounts previously reported in the 2002 financial statements have been reclassified to be comparable to the 2003 presentation.

## 2. Cash and short-term investments

Cash and short-term investments are recorded at market value. USNH's short-term investment policy requires that banks in which USNH holds investments must have FDIC or FSLIC insurance and a Shesunoff Information Services rating of C or better. All repurchase agreements must be fully collateralized at 100% of the face value by U.S. Government and federal agency obligations. Commercial paper must be rated at least A-2 by Moody's Investor Service and P-2 by Standard and Poor's Corporation. Money market funds must be affiliated with a commercial bank or major investment advisor and must be invested only in the above types of assets. The short-term and mid-term investments policies mitigate custodial credit risk on investments individually and in the aggregate through restrictions on investment type, dollar level, maturity, and rating category.

Cash and cash equivalents at June 30 consisted of the following (\$ in thousands):

	2003	2002
Cash and repurchase agreements	\$ 66,503	71,120
Money market funds	851	1,873
Commercial paper	32,917	3,982
Total	<u>\$100,271</u>	<u>76,975</u>

Included in the cash and repurchase agreements balances at June 30, 2003 was \$16,347,000 in repurchase agreements, \$61,593,000 in cash and a net cash overdraft of \$11,437,000. This compares to \$66,213,000 in repurchase agreements, \$8,120,000 in cash and a net cash overdraft of \$3,213,000 at June 30, 2002. Commercial paper held as cash equivalents is uninsured or uncollateralized against custodial credit risk. Commercial paper held at June 30, 2003 had a weighted average maturity of 40 days, and repurchase agreements were limited to overnight investments only.

Short-term investments are amounts invested to meet regular operations of USNH and include obligations of the U.S. Government, commercial paper, and money market funds. The components of short-term investments at June 30 are summarized below (\$ in thousands):

	2003	2002
Obligations of the U.S. Government	\$26,424	50,072
Commercial paper	5,641	22,356
Corporate bonds and notes	3,690	3,324
Money market and other accounts	8,133	3,104
Total	<u>\$43,888</u>	<u>78,856</u>

Short-term investments in commercial paper and mutual funds are uninsured and uncollateralized against custodial credit risk. Commercial paper held at June 30, 2003 had a weighted average maturity of 26 days. U.S. Governmental obligations and corporate bonds held at June 30, 2003 had weighted average maturities of 3 and 5 years, respectively.

## 3. Accounts and notes receivable

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

	2003	2002
Grants and contracts	\$18,454	19,416
State of NH capital projects	3,196	2,863
Student	2,862	3,014
Pledges (nonendowment only)	2,703	2,967
Other	3,083	6,725
Allowance for doubtful accounts	(1,830)	(1,892)
Total accounts receivable, net	28,468	33,093
Less: noncurrent portion	(2,089)	(2,152)
Current portion	<u>\$26,379</u>	<u>30,941</u>

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

	2003	2002
Perkins loans	\$22,361	22,194
Other loans, restricted and unrestricted	673	727
Allowance for doubtful loans	(1,507)	(1,586)
Total notes receivable, net	21,527	21,335
Less: noncurrent portion	(18,883)	(18,746)
Current portion	\$ 2,644	2,589

#### 4. Investments

Investments include amounts held by bond trustee, and endowment and similar investments of the campuses and affiliated entities. Investments held by bond trustee represent amounts not yet expended for construction projects included in the 2001 bond issuance (see Note 7) and include commercial paper (average maturity of one day) and money market funds. Endowment and similar investments are amounts invested for long-term gains and current income and consist of the following as of June 30 (\$ in thousands):

	Campuses		Affiliated Entities	
	2003	2002	2003	2002
Money market funds	\$ 5,744	5,114	10,149	8,002
Mutual funds – bonds	20,079	19,085	22,441	22,489
Mutual funds – stocks	13,578	34,899	33,556	31,660
Mutual funds – real estate	1,400	1,323		
Common stocks	32,288	11,970		
Private equity partnerships	1,264	501	6,534	4,714
U.S. Government bonds				925
Investments held by others	14,070	14,897	3,093	3,042
Total	\$88,423	87,789	75,773	70,832

The estimated fair value of investments is based on quoted market prices except for certain investments, primarily private equity partnerships and similar interests, for which quoted market prices are not available. The estimated fair value of these investments is based on valuations provided by external investment managers within the past fiscal year, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Because the private equity partnership investments are not readily marketable, their estimated value may differ from the value that would have been used had a ready market for such investments existed.

Mutual funds, common stocks, and private equity funds are uninsured and uncollateralized against custodial credit risk. The endowment investment policies of the governing boards of USNH and its affiliated entities mitigate the risk associated with uninsured and uncollateralized investments collectively through diversification, target allocations and periodic earnings review. The endowment investment components as of June 30, 2003 and 2002 are summarized below (\$ in thousands):

	Campuses		Affiliated Entities	
	2003	2002	2003	2002
Pooled Endowments:				
Campuses	\$74,257	72,797		
UNHF			69,467	64,399
KEA			3,213	3,392
Life income and annuity funds	1,056	1,082	3,093	3,041
Amounts held by others	13,110	13,910		
Total	\$88,423	87,789	75,773	70,832

Unfunded commitments with various private equities and similar alternative investment funds totaled \$11,525,000 and \$11,155,000 at June 30, 2003 and 2002, respectively. See Note 10 for discussion of endowment income used in operations.

#### 5. Property and equipment

As of June 30, 2003, USNH has two uncompleted construction projects using funds received from proceeds of the 2001 bond issuance. At June 30, 2003, outstanding contractual obligations for construction related to these projects totaled \$4,698,000 as compared to \$24,375,000 for the seven projects underway at June 30, 2002. Net interest capitalized in 2003 and 2002 totaled \$1,961,000 and \$1,373,000, respectively. See Note 7 for information on the related debt.

In addition, the state is providing funding for academic and research facility renovation and expansion projects under the Knowledge Economy Education Plan for New Hampshire (KEEP NH). Contractual obligations for construction related to KEEP NH projects totaled \$5,663,000 and \$14,529,000 at June 30, 2003 and 2002, respectively. The state reimburses USNH for all such amounts expended under the KEEP NH program, up to the currently authorized total of \$100,000,000. KEEP NH funds remaining after obligations totaled \$63,074,000 and \$80,237,000 at June 30, 2003 and 2002, respectively.

See Note 7 for further descriptions of state funded plant facilities.

Property and equipment activity for the years ended June 30, 2003 and 2002 is summarized as follows (\$ in thousands):

	Balance	Additions/ Adjustments	Retirements	Balance	Additions/ Adjustments	Retirements	Balance
	June 30, 2001			June 30, 2002			June 30, 2003
Land	\$ 8,989	875		9,864			9,864
Buildings and improvements	577,070	21,451	(85)	598,436	78,720		677,156
Equipment	97,381		(1,718)	106,920	10,002	(2,545)	114,377
Construction in progress, net	32,126	42,066		74,192	4,072		78,264
Total property and equipment	715,566	75,649	(1,803)	789,412	92,794	(2,545)	879,661
Less: accumulated depreciation	(325,122)	(26,857)	1,687	(350,292)	(28,160)	2,367	(376,085)
Property and equipment, net	\$390,444	48,792	(116)	439,120	64,634	(178)	503,576

## 6. Accrued employee benefits

Accrued employee benefits at June 30 were as follows (\$ in thousands):

	2003	2002
Accrued postretirement medical benefits	\$42,651	42,177
Additional retirement contribution	2,217	2,098
Medical benefits for the long-term disabled	2,122	2,607
Workers' compensation	2,897	2,647
Early retirement and separation incentives	1,398	2,897
Compensated absences	14,130	13,534
Operating staff retirement plan	9,066	9,026
Total accrued employee benefits	74,481	74,986
Less: current portion	(7,227)	(7,397)
Noncurrent portion	\$67,254	67,589

The defined benefit postretirement medical plan was optional for all full-time status employees hired before July 1, 1994 and their dependents. At June 30, 2003, there were approximately 839 participants currently eligible to receive benefits. The eligibility requirements state that retired employees must have completed at least 10 years of service after age 52, participated in the active retirement plans during their last 10 years of service, and participated in USNH's active medical plan at the time of retirement. Retired employees are not required to contribute to the plan. Third party benefit consultants are used to determine the postretirement benefit obligations and annual expense amounts. The actuarially determined postretirement benefit expense was \$3,917,000 and \$4,321,000 for 2003 and 2002, respectively. The plan is funded on a pay-as-you-go basis with benefits paid when due.

The following table shows the postretirement medical plan's unfunded status. The accumulated postretirement benefit obligation at June 30 consisted of the following (\$ in thousands):

	2003	2002
Retired employees	\$26,301	25,445
Fully eligible active employees	4,617	4,220
Other active employees	16,414	13,737
Total	47,332	43,402
Unrecognized prior service costs	(3,087)	369
Unrecognized net loss	(1,594)	(1,594)
Accrued postretirement medical benefits	\$42,651	42,177

Net periodic postretirement benefit cost included the following components (\$ in thousands):

	2003	2002
Service cost - benefits attributed to service during the period	\$ 924	1,976
Interest cost	3,037	2,505
Amortization of prior service costs	(44)	(160)
Net periodic postretirement benefit cost	\$3,917	4,321

For measurement purposes, a 15% annual rate of increase in the per capita cost of covered health care benefits is assumed for 2003; the rate is assumed to decrease gradually to 5.5% by 2010 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. The weighted average discount rate used in determining the accumulated postretirement obligation was 7%.

USNH's Additional Retirement Contribution Plan is mandatory for all newly hired employees but was optional for employees hired before July 1, 1994. Employees covered under this plan have an additional 1% of their salary contributed to their defined contribution retirement plan (see below) by USNH in lieu of postretirement medical benefits. In addition, employees meeting certain service guidelines are eligible for a guaranteed minimum retirement contribution for which USNH has accrued \$2,217,000 and \$2,098,000 at June 30, 2003 and 2002, respectively, based on third party actuarial calculations.

USNH sponsors various other benefits programs for its employees, including long-term disability, workers' compensation and early retirement plans. 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 will take 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. Early retirement options have been provided in certain instances to a limited number of employees. Costs associated with these additional retirement contributions are accrued as of the date of acceptance into the program. 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.

In addition, eligible employees may elect to participate in defined contribution retirement plans administered by others. Contributions by USNH under these plans in 2003 and 2002 amounted to \$17,890,000 and \$16,527,000, respectively. USNH also maintains an operating staff retirement plan, which is closed to new participants. USNH has separately identified unrestricted funds functioning as endowment assets of \$5,152,000 and \$5,733,000 at June 30, 2003 and 2002, respectively, which are designated to fund the third party actuarially determined obligations of the plan.

## 7. Long-term debt

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 on state-funded educational and general facilities, amounts are billed to the state and recorded as State of New Hampshire appropriations - plant projects.

Bonds issued by the state to finance auxiliary enterprise buildings and improvements (Auxiliary Bonds) require semi-annual principal and interest payments remitted by USNH to the state from revenues associated with the specific auxiliary activities. State statute requires these bonds to be repaid entirely by USNH, and accordingly, these bonds are recorded as USNH debt.

In March 2001 the New Hampshire Health and Education Facilities Authority (NHHEFA) issued \$151,210,000 of revenue bonds, University System of New Hampshire Issue, Series 2001 (2001 Bonds). Proceeds from the 2001 Bonds included \$100,505,000 to finance construction and renovation of student fee-supported facilities on USNH campuses at Durham, Keene, and Plymouth and \$50,705,000 to complete an insubstantial defeasance of the 1992 NHHEFA bonds (1992 Bonds).

Included in the 1992 Bonds was a similar refinancing of the 1989 NHHEFA bonds. A delayed delivery agreement for defeasance of the remaining balance of these bonds (\$42,715,000) was contracted as part of the 2001 bond issuance, and completed on April 2, 2002 (2002 Bonds). These proceeds were placed in an irrevocable trust on that date and invested in government obligations with scheduled maturities which, when combined with interest thereon, were used to make final principal and interest payments of the original issue on June 30, 2002.

The 2001 Bonds do not provide for any lien or mortgage on any USNH property. USNH is obligated under the terms of the 2001 Bonds to make payments from revenues received from certain student housing, dining, student union, and recreational facilities. USNH is in compliance with all covenants with respect to student housing, dining, student union, and recreation operations specified in the bond issuance terms. The most restrictive requirement under current bond offerings is maintenance of a debt service coverage ratio of at least 1.1 to 1.

The state is not liable for the payment of principal or interest on the 2001 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.

Long-term debt activity for the years ended June 30, 2003 and 2002 was as follows (\$ in thousands):

	Balance June 30, 2001	Additions	Retirements	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003	Current Portion
NHHEFA								
Revenue Bonds	\$193,503	43,368	(42,982)	193,889		(16)	193,873	1,105
Bonds issued by the State of NH	7,426		(1,030)	6,396		(1,058)	5,338	1,063
Capital leases	7,582	291	(844)	7,029	245	(922)	6,352	826
Total bonds and leases	\$208,511	43,659	(44,856)	207,314	245	(1,996)	205,563	2,994

Long-term debt outstanding, net of unamortized discounts, at June 30 was as follows (\$ in thousands):

	2003	2002
<u>2002 Bonds</u>		
NHHEFA Revenue Bonds Series 2002, due July 2020; principal due annually; interest due semi-annually at fixed effective rates of 5.125% to 5.25%; face value \$42,715,000 reported net of unamortized original issue discount	\$ 43,323	43,359
<u>2001 Bonds</u>		
NHHEFA Revenue Bonds Series 2001, due July 2033; principal and interest due semi-annually at fixed effective rates of 3.6% to 5.1%; face value \$151,210,000 reported net of unamortized original issue discount	150,550	150,530
<u>Auxiliary Bonds</u>		
Bonds issued by the State of New Hampshire to finance auxiliary enterprise buildings and improvements; due dates range from July 2004 to July 2010; principal and interest due semi-annually at rates of 4.5% to 6.5%	5,338	6,396
Total bonds payable	199,211	200,285
Capital leases; collateralized by certain property and equipment; principal and interest payable monthly at rates of 3.6% to 6.3%	6,352	7,029
Total long-term debt	205,563	207,314
Less: current portion	(2,994)	(1,938)
Total noncurrent portion	\$202,569	205,376

Long-term debt obligations are scheduled to mature as follows  
(*\$ in thousands*):

	Principal	Interest	Total
2004	\$ 2,994	10,385	13,379
2005	6,382	10,200	16,582
2006	6,384	9,905	16,289
2007	6,540	9,603	16,143
2008	6,677	9,289	15,966
2009-2013	34,109	41,687	75,796
2014-2018	38,720	32,370	71,090
2019-2023	42,145	21,072	63,217
2024-2028	28,320	11,731	40,051
2029-2033	27,075	5,215	32,290
2034	6,270	161	6,431
	<u>205,616</u>	<u>161,618</u>	<u>367,234</u>
Less: unamortized discount/premium	(53)		(53)
Total	<u>\$205,563</u>	<u>161,618</u>	<u>367,181</u>

### 8. Commitments and contingencies

In accordance with state legislation, USNH does not purchase casualty insurance coverage on property owned, except for certain properties which have been donated, leased or financed by NHHEFA bonds (see Note 7). USNH is self-insured for a portion of these and other risks, including workers' compensation, long-term disability, and medical insurance claims. The related reserves recorded in the financial statements are developed by management based upon historical performance data, and in the opinion of management are expected to be sufficient to cover the actual claims incurred. General liability and other insurance coverages provide for large claims incurred. Settlements below the relevant deductible amounts, and repair and replacement of damaged property, are funded from current unrestricted funds.

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

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

### 9. Unrestricted net assets

During 2003, USNH changed its policy to record individual true endowments with current market values below their historic gift value as a charge against unrestricted net assets. In management's opinion, these adjustments are temporary and will not require permanent funding. Below is a summary of the effect of this reclassification on net asset balances previously reported (*\$ in thousands*):

	Restricted Expendable	Unrestricted
Net asset balances at June 30, 2002, as originally reported	\$63,759	46,854
Adjustment to reclassify market value below book value of true endowments:		
Campuses	866	(866)
Affiliated entities	4,594	(4,594)
Net asset balances at June 30, 2002, as reclassified	<u>\$69,219</u>	<u>41,394</u>

The following table details USNH unrestricted net assets as of June 30 (*\$ in thousands*):

	2003	2002
<b>Campuses</b>		
Current funds		
Campus reserves	\$20,016	17,963
Auxiliary enterprises	16,127	15,588
Internally designated	27,799	28,569
Unfunded accrued employee benefits	(58,388)	(55,630)
Total current funds	5,554	6,490
Unrestricted loan funds	1,248	1,239
Funds functioning as endowment	9,383	8,673
Unexpended plant funds	30,574	28,823
True endowment investments below historical gift value	(977)	(866)
<b>Affiliated entities</b>		
True endowment investments below historical gift value	(3,589)	(4,594)
Other	583	1,629
Total unrestricted net assets	<u>\$42,776</u>	<u>41,394</u>

### 10. Endowment income used in operations

As detailed in Note 4 the majority of endowment funds are invested in one of two investment pools using the unit share method. According to the laws of the State of New Hampshire, the governing boards of USNH and its affiliated entities may appropriate for expenditure for the uses and purposes for which an endowment fund is established so much of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment fund over the historic dollar value of the fund as is prudent. Endowment income used for operations from the pooled endowments was limited to 5.75% and 6.50% of the twelve quarter moving average of the investments' market value in 2003 and 2002, respectively. Where individual pooled endowment investments had market values less than the historic gift value as of the beginning of the fiscal year, the distribution was limited to the estimated yield on the invested assets.

The annual spending formula for endowment income used in operations is designed to ensure reasonable stability of continued future support for ongoing programs assuming moderate inflation. To the extent that endowment yield (dividends and interest) was insufficient to meet the required income distribution, accumulated net realized gains were utilized to fund the distribution.

The components of endowment income used in operations for 2003 and 2002 are summarized below (*\$ in thousands*):

	2003	2002
<b>Campuses</b>		
Pooled endowment yield	\$1,313	1,581
Nonpooled endowment yield	367	1,120
Gains utilized to fund distribution	3,748	3,980
Subtotal campuses	<u>5,428</u>	<u>6,681</u>
<b>Affiliated entities</b>		
Pooled endowment yield		
UNHF	1,597	1,718
KEA	108	98
Gains utilized to fund distribution		
UNHF	620	2,544
KEA	17	35
Subtotal affiliated entities	<u>2,342</u>	<u>4,395</u>
Total	<u>\$7,770</u>	<u>11,076</u>



## 11. Operating expenses by function

The following table details USNH operating expenses by functional classification (*\$ in thousands*):

	Employee Compensation and Benefits	Supplies and Other	Utilities	Internal Allocations	Depreciation	2003 Total	2002 Total
<b>Campuses – current funds</b>							
Instruction	\$124,610	14,231	55			138,896	134,165
Research & sponsored programs	55,963	30,882	12			86,857	79,622
Public service	11,470	4,270	226	1,284		17,250	16,853
Academic support	27,652	13,994		4,172		45,818	41,763
Student services	17,292	8,829	8			26,129	24,757
Institutional support	33,320	9,174	78	(12,261)		30,311	27,672
Operations & maintenance	20,039	5,887	13,392	(19,203)		20,115	19,030
Auxiliary student services	35,375	26,706	70	26,008		88,159	82,976
Subtotal-current funds	325,721	113,973	13,841	-	-	453,535	426,838
<b>Campuses – other funds</b>	2,048	10,854	16		28,265	41,183	34,050
<b>Affiliated entities</b>	2,024	884				2,908	2,886
<b>Total</b>	<b>\$329,793</b>	<b>125,711</b>	<b>13,857</b>	<b>-</b>	<b>28,265</b>	<b>497,626</b>	<b>463,774</b>

# University System of New Hampshire Board of Trustees and Administration

**As of September 1, 2003**

The University System of New Hampshire is directed by a 27 member Board of Trustees comprised of the Governor of New Hampshire, 11 Gubernatorial appointees, six members elected by alumni, two members elected by students, the Commissioner of Education, the Commissioner of Agriculture, the presidents of the System's colleges and universities, and the Chancellor. The Chancellor is the chief executive officer of the University System.

The Chancellor and the presidents comprise the Council of Presidents. The Council of Presidents is responsible for overseeing policies and procedures that assist the presidents in discharging their responsibilities while allowing maximum institutional initiative and responsibility within an efficient and unified University System organization. The financial officers at the University System of New Hampshire and the chief financial officer of each institution are members of the Financial Policies and Planning Council, which is charged with advising the Council of Presidents on the development of University System financial policies, procedures and programs.

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