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Financial Statements

University of New Hampshire Foundation, Inc.
June 30, 2023 and 2022

**University of New Hampshire Foundation, Inc.
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The 2023 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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities the University of New Hampshire Foundation (Foundation), a blended component unit of the University System of New Hampshire, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities of the Foundation, as of June 30, 2023 and 2022, and the respective changes in financial position and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2023, 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 Foundation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Quincy, Massachusetts
October 5, 2023

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 2023, 2022, and 2021
(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, 2023 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, 2022 and 2021. 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 United States dollars.

2023 Financial Highlights

- The value of endowment investments increased \$23,155 (8.7%) in 2023, with \$14,952 distributed from the endowment pool for payout to purpose and the administration fee (collectively "endowment income used for operations") and a \$20,982 endowment investment gain in addition to \$17,125 in new endowment gifts.
- The pooled portion (97.9%) of the Foundation's endowment assets had a 2023 market gain, net of fees, of 8.0%. This compares to a loss of -9.30% in 2022 and a gain of 29.0% in 2021. The amount of Foundation endowed funds that are above their respective original gift value as of June 30, 2023 is 92.5%.
- Current use gifts and contributions received in 2023 decreased by \$2,196 (-10.3%) over 2022 and gifts transferred to UNH increased by \$4,527 (33.3%). Endowment gifts received in 2023 increased \$7,372 (75.6%) from the 2022 level.
- Distributions to UNH for endowed programs increased \$877 (7.7%) in 2023 following an increase of \$1,232 (12.1%) in 2022.
- The Foundation's total net position of \$309,931 as of the end of 2023 increased by 8.2% over 2022, returning to just above the 2021 level. Market volatility is the primary component of these fluctuations.

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 2023, 2022, and 2021
(Unaudited)
(\$ in thousands)

Using the Financial Statements

This annual report includes financial statements and related notes, 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.

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University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 2023, 2022, and 2021
(Unaudited)
(\$ in thousands)

Statements of Net Position

A condensed summary of net position as of June 30, 2023, 2022 and 2021 follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>23 - 22</u> <u>\$ Change</u>	<u>23 - 22</u> <u>% Change</u>
Assets:					
Current assets	\$ 13,104	\$ 13,833	\$ 5,904	\$ (729)	-5.3%
Noncurrent assets	305,482	278,734	309,536	26,748	9.6%
Total Assets	<u>318,586</u>	<u>292,567</u>	<u>315,440</u>	<u>26,019</u>	<u>8.9%</u>
Liabilities:					
Current liabilities	2,933	1,408	1,071	1,525	108.3%
Noncurrent liabilities	3,515	2,944	2,412	571	19.4%
Total Liabilities	<u>6,448</u>	<u>4,352</u>	<u>3,483</u>	<u>2,096</u>	<u>48.2%</u>
Deferred Inflows of Resources:					
Deferred inflows - annuities	2,207	1,655	2,161	552	33.4%
Total Deferred Inflows of Resources	<u>2,207</u>	<u>1,655</u>	<u>2,161</u>	<u>552</u>	<u>33.4%</u>
Net Position:					
Restricted					
Nonexpendable	179,750	171,562	161,978	8,188	4.8%
Expendable	127,428	111,714	144,457	15,714	14.1%
Unrestricted	2,753	3,284	3,361	(531)	-16.2%
Total Net Position	<u>\$ 309,931</u>	<u>\$ 286,560</u>	<u>\$ 309,796</u>	<u>\$ 23,371</u>	<u>8.2%</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 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 2023, 2022, and 2021
(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 4.8% in 2023, following increases of 5.9% in 2022 and 3.7% in 2021. Increases in this portion of endowment funds over the last several years have been attributable to the Foundation's commitment to growing and developing a strong fundraising team which has been successful at securing more and larger gifts from its increasing active donor base. The Investment Committee (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.

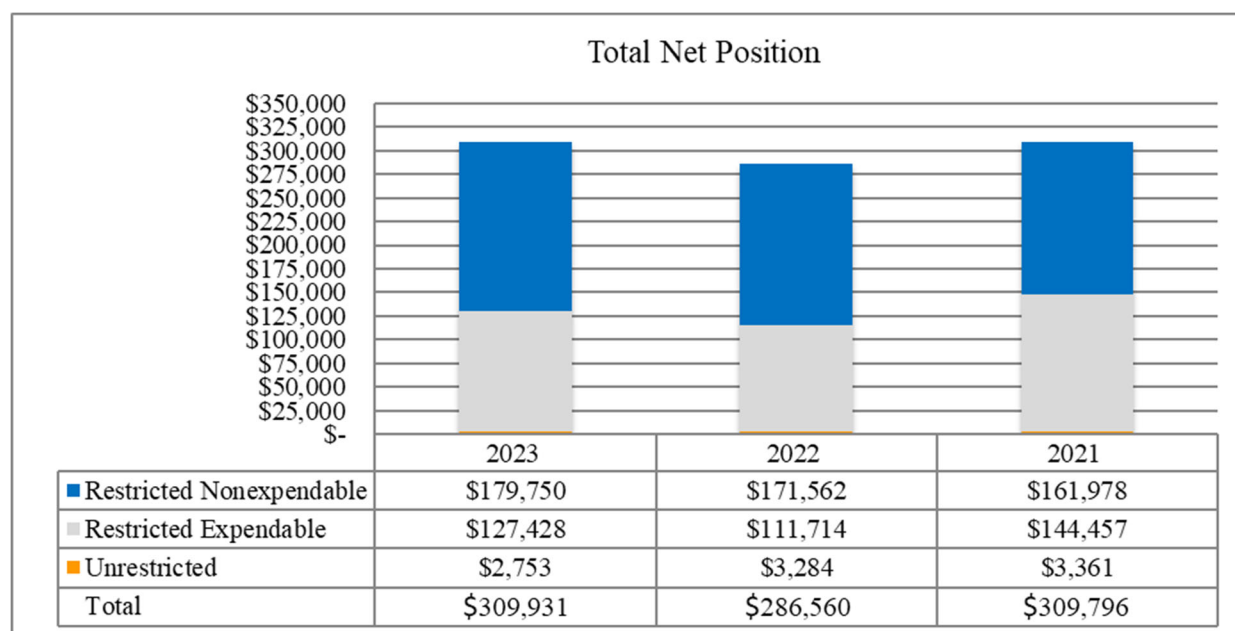
Restricted expendable funds include funds functioning as endowment, life income and annuity funds, and accumulated net gains on the nonexpendable endowment funds. The restricted expendable net position related to these endowment funds increased 14.1% the year ended June 30, 2023, after decreasing 22.7% during the year ended June 30, 2022, following an increase of 66.2% in 2021. Funds functioning as endowment consist of amounts that have been allocated by the Foundation for long-term investment purposes, including gifts restricted in purpose that have no conditions requiring they be held as nonexpendable endowments. The significant decrease in 2022 was due primarily to global market losses in the second half of the fiscal year but was largely reversed in 2023 as most markets rebounded.

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

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University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 2023, 2022, and 2021
(Unaudited)
(\$ in thousands)

The following chart shows the net position composition as of June 30, 2023, 2022 and 2021:



The Foundation's total net position increased by \$23,371 (8.2%) in 2023, following a decrease of \$23,236 (-7.5%) in 2022 and an increase of \$63,302 (25.7%) in 2021. Annual payout distributions 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.

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University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 2023, 2022, and 2021
(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, 2023, 2022 and 2021 follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues:			
Gifts and contributions	\$ 19,221	\$ 21,417	\$ 21,101
Gifts and contributions for funds functioning as endowment	8,933	169	119
Support from UNH	8,140	7,633	5,358
Endowment return less income used for operations	20,982	(26,695)	67,551
Other investment income	75	(9)	4
Other income	42	56	4
Total Operating Revenues	<u>57,393</u>	<u>2,571</u>	<u>94,137</u>
Operating Expenses:			
Gifts transferred to UNH	18,109	13,582	18,009
Distributions to UNH for endowed programs	12,300	11,423	10,191
Salaries, wages, fringe benefits and other operating expenses	11,805	10,386	8,374
Total Operating Expenses	<u>42,214</u>	<u>35,391</u>	<u>36,575</u>
Operating Income (Loss)	<u>15,179</u>	<u>(32,820)</u>	<u>57,562</u>
Other Changes in Net Position:			
Endowment gifts and contributions	8,192	9,584	5,739
Total Other Changes in Net Position	<u>8,192</u>	<u>9,584</u>	<u>5,739</u>
Increase (Decrease) in Net Position	<u>\$ 23,371</u>	<u>\$ (23,236)</u>	<u>\$ 63,302</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 2023, excluding new endowment gifts, the Foundation's endowment pool experienced a net increase of \$6,030 after distributions of \$14,952. This compares to a net decrease of \$40,549 after distributions of \$13,909 in 2022 and a net increase of \$54,879 after distributions of \$12,610 in 2021.

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 \$9,704 (23.0%) of the Foundation's total expenses in 2023 as compared to \$8,790 (24.8%) of the Foundation's total expenses in 2022. The increase in 2023 was primarily attributable to filling several new and vacant positions within Development during 2022. As a result, the department was nearly fully staffed for most of 2023. Additionally, the University System of New Hampshire (USNH) granted a 4% merit increase for all employees, including the Foundation in 2023. Expenses were within the approved budget.

University of New Hampshire Foundation, Inc.
Management's Discussion & Analysis
June 2023, 2022, and 2021
(Unaudited)
(\$ in thousands)

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning Endowment Balance	\$ 265,737	\$ 296,533	\$ 235,797
New gifts	17,125	9,753	5,858
Payout to purpose	(12,425)	(11,536)	(10,305)
Administration fee	(2,527)	(2,373)	(2,305)
Yield, net of fees	1,250	441	(1,121)
Realized gain (loss)	637	9,542	4,627
Unrealized gain (loss)	19,095	(36,623)	63,982
Ending Endowment Balance	<u>288,892</u>	<u>265,737</u>	<u>296,533</u>
Annuities*	6,263	5,183	5,263
Ending Investment Balance	<u>\$ 295,155</u>	<u>\$ 270,920</u>	<u>\$ 301,796</u>

* Associated liabilities (current and non-current) totaled \$3,892, \$3,259, and \$2,680, at June 30, 2023, 2022, and 2021, respectively.

The overall value of endowment, annuity, and similar fund investments increased \$24,235 (8.9%) in 2023, in contrast to a decrease of \$30,876 (-10.2%) in 2022 and a \$61,855 (25.8%) increase in 2021.

Outlook

While the COVID-19 pandemic has subsided, the Foundation continues to offer hybrid and remote work arrangements for most Foundation staff. All Foundation functions continue to be accomplished successfully, including fundraising, gift stewardship, and financial and investment management. 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 and long term.

The Foundation continues to identify new donors and secure additional current use and endowment gifts for the current 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 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.
Statement of Net Position
Years ended June 30,
(\$ in thousands)

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,418	\$ 10,301
Pledges receivable, net	3,686	3,532
Total Current Assets	13,104	13,833
Noncurrent Assets		
Pledges receivable, net	10,205	7,205
Endowment investments and similar funds	288,892	265,737
Annuity investments and similar funds	6,263	5,183
Other investments	122	314
Other assets	-	295
Total Noncurrent Assets	305,482	278,734
Total Assets	318,586	292,567
 LIABILITIES		
Current Liabilities		
Accounts payable and other liabilities	2,555	1,093
Annuities payable	378	315
Total Current Liabilities	2,933	1,408
Noncurrent Liabilities		
Annuities payable	3,515	2,944
Total Noncurrent Liabilities	3,515	2,944
Total Liabilities	6,448	4,352
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - annuities	2,207	1,655
Total Deferred Inflows of Resources	2,207	1,655
 NET POSITION		
Restricted		
Nonexpendable	179,750	171,562
Expendable	127,428	111,714
Unrestricted		
	2,753	3,284
Total Net Position	\$ 309,931	\$ 286,560

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)

	2023	2022
OPERATING REVENUES		
Gifts and contributions	\$ 19,221	\$ 21,417
Gifts and contributions for funds functioning as endowment	8,933	169
Support from UNH for fundraising services rendered	8,140	7,633
Endowment income used for operations	14,952	13,909
Realized and unrealized gain (loss) on investments, net	6,030	(40,604)
Other investment income	75	(9)
Other income	42	56
Total Operating Revenues	57,393	2,571
OPERATING EXPENSES		
Gifts transferred to UNH	18,109	13,582
Distributions to UNH for endowed programs	12,300	11,423
Salaries, wages, and fringe benefits	9,704	8,790
Supplies and other operating expenses	1,990	1,581
Interest on annuities	111	15
Total Operating Expenses	42,214	35,391
Operating Income (Loss)	15,179	(32,820)
OTHER CHANGES IN NET POSITION		
Endowment gifts and contributions	8,192	9,584
Total Other Changes In Net Position	8,192	9,584
INCREASE (DECREASE) IN NET POSITION	23,371	(23,236)
NET POSITION AT BEGINNING OF YEAR	286,560	309,796
NET POSITION AT END OF YEAR	\$ 309,931	\$ 286,560

See accompanying notes to financial statements.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	\$ 25,295	\$ 20,434
Support from UNH	8,140	7,633
Investment income	258	4
Payments to UNH	(28,933)	(24,802)
Payments to employees and for employee benefits	(9,662)	(8,755)
Payments to suppliers	(2,001)	(1,466)
Net Cash Provided By (Used In) Operating Activities	(6,903)	(6,952)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of pooled endowment investments	69,256	187,864
Purchases of pooled endowment investments	(71,429)	(183,708)
Proceeds from sales and maturities of annuity, life income, and other investments	541	520
Purchases of annuity, life income and other investments	(1,198)	(1,389)
Net Cash Provided By (Used In) Investing Activities	(2,830)	3,287
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from issuance of annuity and life income agreements	1,097	1,292
Payments to annuitants and life income beneficiaries	(439)	(332)
Endowment gifts and other additions	8,192	9,584
Net Cash Provided By (Used In) Noncapital Financing Activities	8,850	10,544
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(883)	6,879
BEGINNING CASH AND CASH EQUIVALENTS	10,301	3,422
ENDING CASH AND CASH EQUIVALENTS	\$ 9,418	\$ 10,301
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
OPERATING INCOME (LOSS)	\$ 15,179	\$ (32,820)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Endowment return, net of amount used for operations	(20,987)	26,686
Interest on annuities	111	15
Changes in assets and liabilities:		
Pledges receivable, net	(3,154)	(1,150)
Other investments	192	27
Other assets	295	-
Accounts payable and other liabilities	1,461	290
Net Cash Provided By (Used In) Operating Activities	\$ (6,903)	\$ (6,952)

See accompanying notes to financial statements.

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2023 and 2022
(\$ 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 conduct and oversight of the investment program is the responsibility of the Investment Committee (Committee). 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.

University of New Hampshire Foundation, Inc.
Notes to Financial Statements
June 30, 2023 and 2022
(\$ in thousands)

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 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*.

The Foundation's financial statements include comparative financial information. Certain prior year amounts have been reclassified to conform to the current year presentation.

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.

Subscription-Based Information Technology Arrangements (SBITA)

The Foundation adopted GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* for its June 30, 2023 financial statements. Subscription-Based Information Technology Arrangements (SBITAs) that exceed 12 months in length but where the total contract term payments are less than \$50,000 will be expensed as incurred. The Foundation will use either the rate from the contract or an incremental borrowing rate to discount the future SBITA payments. There was no restatement or impact to reflect this adoption.

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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.

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.

The Foundation's financial statements include comparative financial information. Certain prior year amounts have been reclassified to conform to the current year presentation.

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.

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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, 2023 and 2022, 31% and 45%, respectively, of pledges receivable, net of discount and bad debt allowance, are attributable to one donor.

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

	<u>2023</u>	<u>2022</u>
Instruction and academic support	\$ 7,133	\$ 7,058
Scholarships and fellowships	3,545	3,889
Plant construction and renovations	4,131	173
Other	1,605	1,014
Total Pledges Receivable	<u>\$ 16,414</u>	<u>\$ 12,134</u>

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

	<u>2023</u>	<u>2022</u>
Amounts due in one year or less	\$ 4,175	\$ 4,033
Amounts due between one year and five years	9,816	7,062
Amounts due after five years	2,424	1,039
Total Due	16,415	12,134
Less: discounting of future cash flows	(1,245)	(385)
Less: allowance for uncollectible amounts	(1,279)	(1,012)
Total Pledges Receivable, Net	<u>\$ 13,891</u>	<u>\$ 10,737</u>

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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. The Foundation has 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:

2023					
Investments Classified in the Fair Value Hierarchy					
Investments Measured at NAV	Level 1	Level 2	Level 3	Total	
Cash	\$ -	\$ 16,233	\$ -	\$ -	\$ 16,233
Fixed income	-	10,051	6,927	4,344	21,322
Inflation hedging	-	13,307	-	-	13,307
Domestic equity	62,115	9,829	-	-	71,944
Global equity	55,441	397	-	-	55,838
International equity	17,339	14,305	-	-	31,644
Hedge funds:	-	-	-	-	
Distressed/Restructuring	9,002	-	-	-	9,002
Equity Hedge	12,341	-	-	-	12,341
Event-Driven	23,619	-	-	-	23,619
Private equity	29,763	-	-	-	29,763
Private real assets	10,142	-	-	-	10,142
Total	\$ 219,762	\$ 64,122	\$ 6,927	\$ 4,344	\$ 295,155

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2022					
Investments Classified in the Fair Value Hierarchy					
Investments Measured at NAV	Level 1	Level 2	Level 3	Total	
Cash	\$ -	\$ 8,679	\$ -	\$ -	\$ 8,679
Fixed income	-	11,891	9,025	4,350	25,266
Inflation hedging	-	13,667	-	-	13,667
Domestic equity	51,190	7,888	-	-	59,078
Global equity	43,620	566	-	-	44,186
International equity	16,275	11,988	-	-	28,263
Hedge funds:					
Equity	13,576	-	-	-	13,576
Diversified	6,592	-	-	-	6,592
Distressed/Event Driven	28,499	-	-	-	28,499
Private equity	30,896	-	-	-	30,896
Private real assets	12,218	-	-	-	12,218
Total	\$ 202,866	\$ 54,679	\$ 9,025	\$ 4,350	\$ 270,920

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Investment liquidity and redemption terms as of June 30, 2023 and 2022 are presented below:

2023								
	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	Redemption Notice
Cash	\$ 16,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,233	Daily
Fixed income	16,978	-	-	-	4,344	-	21,322	Daily, Illiquid
Inflation hedging	13,307	-	-	-	-	-	13,307	Daily
Domestic equity	16,478	7,225	48,241	-	-	-	71,944	1 - 60 days
Global equity	18,318	19,953	17,567	-	-	-	55,838	1 - 30 Days
International equity	28,839	-	2,805	-	-	-	31,644	1 - 90 days
Hedge funds:	-	-	-	-	-	-	-	
Distressed/Restructuring	-	-	-	-	9,002	-	9,002	90 days
Equity Hedge	-	-	12,341	-	-	-	12,341	30 - 60 days
Event-Driven	-	-	5,346	16,091	2,182	-	23,619	60 - 90 days
Private equity	-	-	-	-	-	29,763	29,763	Illiquid
Private real assets	-	-	-	-	-	10,142	10,142	Illiquid
Total	<u>\$ 110,153</u>	<u>\$ 27,178</u>	<u>\$ 86,300</u>	<u>\$ 16,091</u>	<u>\$ 15,528</u>	<u>\$ 39,905</u>	<u>\$ 295,155</u>	

2022								
	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	Redemption Notice
Cash	\$ 8,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,679	Daily
Fixed income	20,916	-	-	-	2,765	1,585	25,266	Daily, Illiquid
Inflation hedging	13,667	-	-	-	-	-	13,667	Daily
Domestic equity	13,511	6,119	39,448	-	-	-	59,078	1 - 60 days
Global equity	12,883	16,407	14,896	-	-	-	44,186	1 - 30 Days
International equity	25,607	-	2,656	-	-	-	28,263	1 - 90 days
Hedge funds:	-	-	-	-	-	-	-	
Equity	-	-	13,576	-	-	-	13,576	30 - 90 days
Diversified	-	-	-	4,429	2,163	-	6,592	60 days
Distressed/Event Driven	-	-	6,843	11,606	10,050	-	28,499	60 - 90 days
Private equity	-	-	-	-	-	30,896	30,896	Illiquid
Private real assets	-	-	-	-	-	12,218	12,218	Illiquid
Total	<u>\$ 95,263</u>	<u>\$ 22,526</u>	<u>\$ 77,419</u>	<u>\$ 16,035</u>	<u>\$ 14,978</u>	<u>\$ 44,699</u>	<u>\$ 270,920</u>	

As of June 30, 2023 and 2022, the Foundation had outstanding unfunded commitments, which includes recallable capital, to private investments of \$38,922 and \$27,429, respectively. There are 26 funds classified as illiquid which are expected to be liquidated over the next one to 13 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 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.

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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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Aaa	36%	37%
Aa1-3	17%	19%
A1-3	24%	25%
Baa1-3	18%	15%
NR	5%	4%
	<u>100%</u>	<u>100%</u>

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, 2023 and 2022, pooled endowment funds totaled \$288,892 and \$265,737, respectively. The Foundation previously maintained two separate endowment pools: the main pool and the ESG (environmental, social, and governance) pool. The Committee voted to merge the pools in 2022 to offer more investment opportunities and further diversify the Foundation’s investments. In merging these pools, existing ESG investments were maintained, and sustainable investing methods are now more evenly applied across the Foundation’s entire investment decision-making process.

As provided for under UPMIFA, the Foundation applies the “total return” concept to distributions, so that endowment yield (dividends and interest, net of fees) and accumulated net gains may be utilized to fund distributions. For fiscal years 2023 and 2022, 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

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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 2023 and 2022 was \$14,952 and \$13,909, respectively. Of the total annual distributions, the Foundation distributed to UNH for endowed programs (i.e., payout to purpose) from pooled endowment funds \$12,300 and \$11,423 for the years ended June 30, 2023 and 2022, respectively. As a result of investment activities and annual distributions, the endowment pool experienced a net increase of \$6,030 in 2023 and a net decrease of \$40,549 in 2022.

All distributions were made from pooled endowment funds in 2023 and 2022. 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 \$557 and \$883 as of June 30, 2023 and 2022, respectively. For 2023, the percentage of dollars by which funds are underwater is 0.24% of the total market value of true endowment funds.

Similar funds are comprised of life income and annuity funds totaling \$6,263 and \$5,183 as of June 30, 2023 and 2022, 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, 2023 and 2022 are shown below:

	<u>2023</u>	<u>2022</u>
Balance, Beginning of Year	\$ 3,259	\$ 2,680
Revaluations	223	(52)
New annuities	741	1,025
Withdrawals	(1)	(77)
Principal payments	(329)	(317)
Balance, End of Year	<u>3,893</u>	<u>3,259</u>
Less: current portion	<u>(378)</u>	<u>(315)</u>
Noncurrent portion	<u>\$ 3,515</u>	<u>\$ 2,944</u>

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6. Net Position

The components of total net position at June 30, 2023 and 2022 are summarized below:

	<u>2023</u>	<u>2022</u>
Restricted		
Nonexpendable		
Historical gift value of endowment	\$ 179,750	\$ 171,562
Total Restricted Nonexpendable	<u>179,750</u>	<u>171,562</u>
Expendable		
Accumulated net gains on historical gift value of endowment	50,590	44,829
Fair value of funds functioning as endowment	57,115	47,943
Pledges receivable, net, and other gifts	19,561	18,378
Life income and annuity funds	162	269
Real estate gifts to be sold	-	295
Total Restricted Expendable	<u>127,428</u>	<u>111,714</u>
Unrestricted		
Foundation operating funds	1,225	1,833
Fair value of unrestricted funds functioning as endowment	1,437	1,404
Gifts	91	47
Total Unrestricted	<u>2,753</u>	<u>3,284</u>
Total Net Position	<u><u>\$ 309,931</u></u>	<u><u>\$ 286,560</u></u>

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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 2023 and 2022 included the following:

	<u>2023</u>	<u>2022</u>
Endowment*	\$ 8,327	\$ 9,658
Funds functioning as endowment	8,933	169
Current unrestricted	1,158	529
Current restricted	14,011	13,256
Plant	3,917	7,649
Annuities	-	(91)
Total Gifts and Contributions	<u>\$ 36,346</u>	<u>\$ 31,170</u>

*Includes additions to UNH-held endowments totaling \$135 and \$74 in 2023 and 2022, respectively.

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.

Support to the Foundation for items such as financial and payroll transactions are provided from the UNH and USNH central finance offices. 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 provides financial support for management and general expenses of the Foundation, such amounts are reflected in the financial statements as operating revenue and expenses. For the years ended June 30, 2023 and 2022, UNH paid \$8,140 and \$7,633, respectively, to the Foundation for operating support.

Gifts transferred to UNH in 2023 and 2022 were \$18,109 and \$13,582, respectively. At June 30, 2023, \$2,089 due to UNH (relating to gifts to be transferred to UNH) was included in accounts payable and other liabilities. At June 30, 2022, this amount was \$656. Certain gift balances to be transferred to UNH in future years are held by the Foundation in cash and cash equivalents. These totaled \$5,670 and \$7,642, at June 30, 2023 and 2022, respectively. The majority of these balances are associated with scholarships, research and other initiatives that will be transferred to the project funds when needed.