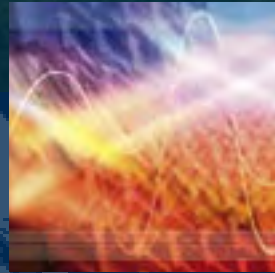




Connections and Collaborations



University System
of New Hampshire 

MISSION STATEMENT

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

— adopted by the Board of Trustees, October 15, 1988

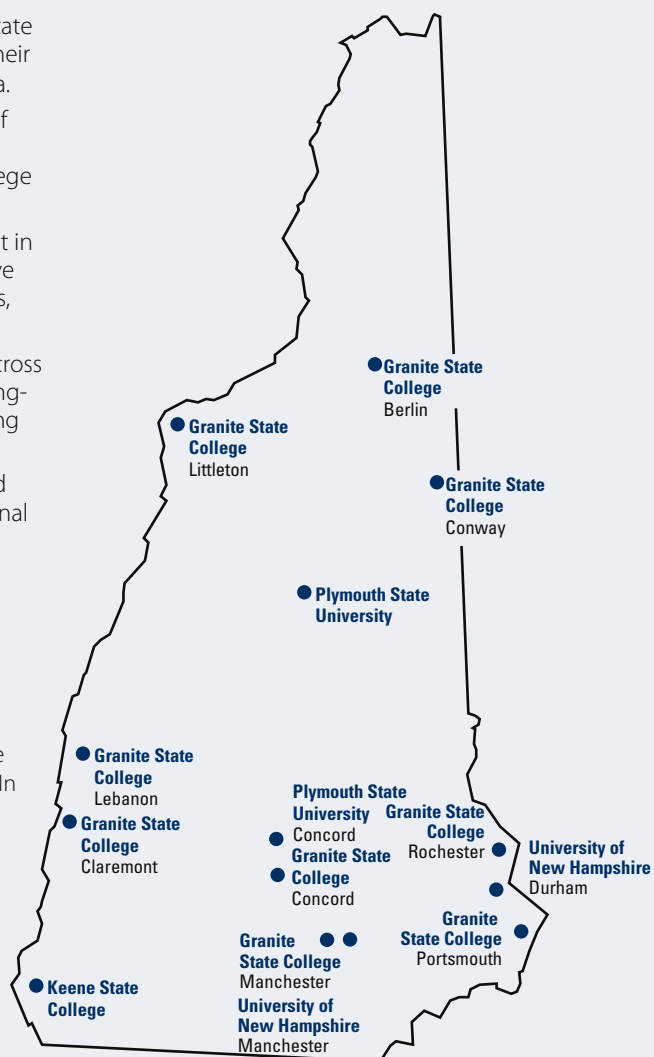
FY08 HIGHLIGHTS

(FISCAL YEAR ENDING JUNE 30, 2008)

- To expand affordable access to college, USNH partners with the Community College System of NH to launch the Connections Program. This creates a seamless path for students who were not initially accepted at a USNH residential institution to attend either Granite State College or a NH community college for a year and then transfer to their original USNH school of choice if they meet certain academic criteria.
- To supplement state support and other revenues, the USNH Board of Trustees makes a substantial commitment to fundraising at all four institutions; the University of New Hampshire and Granite State College receive commitments for their largest gifts to date.
- To limit overall cost of attendance for students, USNH institutions put in place extensive cost containment measures in the areas of aggressive energy management, business services and processes, staffing levels, and employee benefits.
- To address ongoing and anticipated deferred maintenance needs across the USNH campuses, the Board of Trustees endorses "KEEP-UP," a long-term strategic plan that calls for committing a consistent and growing amount of state and university system resources.
- Moody's Investors Service cites USNH as an example of "strong board oversight contributing to credit enhancement" in its May 2008 national report on public university governance.

The University System of New Hampshire is the state's primary supplier of highly educated citizens and workers. The four institutions of the University System—the University of New Hampshire, Plymouth State University, Keene State College, and Granite State College—annually enroll more than 30,000 students and graduate more than 5,500 students at the associate, bachelor, master, and doctoral levels. The University System annually awards more than half of the state's bachelor's degrees. In addition, more than 70,000 alumni of University System institutions currently live in New Hampshire.

Education is the key to New Hampshire's long-term welfare, economic prosperity, and quality of life. More than ever, the potential for each person to succeed—and to prosper—is determined by his or her ability to think, to reason, and to participate fully in all facets of life in a democratic society. Providing these critical educational programs and services through teaching, research, and public service is at the heart of the University System of New Hampshire's mission.



The 2008 Annual Report is a publication of the University System of New Hampshire. Prior year University System Annual Reports are available online at finadmin.usnh.edu

The cover of this report features Thompson Hall and other scenic views of the University of New Hampshire. Photography Credits: Kathy Barnes, Ann Card, Robin Dutcher, Carol Kaplan, Joseph St. Pierre, Sustainability in India students, UNH Photo Services

The front section of this report is printed on 80# Chorus Art gloss text (30% post consumer waste and FSC certified) and the back section is printed on 70# Astrolite PC 100 text (100% post consumer waste).

University System of New Hampshire, Dunlap Center, 25 Concord Road, Durham, NH 03824, 603-862-0918



USNH institutions grant 53% of all bachelor's degrees in NH and more than 70% of the degrees in education, engineering, engineering technologies, and liberal arts & science

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Board of Trustees and Administration Inside Back Cover

September 2008

Dear Shareholder:

Public higher education is, by definition, a partnership of interests. All parties – students, faculty, staff, elected officials, alumni, donors, businesses, and the citizenry—recognize the critical importance of a well-educated and engaged community. As recent events so starkly demonstrate, the highly competitive global economy challenges all states and their public colleges and universities to produce more and better graduates, to ensure they have an international outlook, and to operate efficiently so as to keep the enterprise affordable.

This *Annual Report* provides you with a summary of the many ways the four University System institutions are working individually and together to meet these national expectations. These pages will illustrate that “Connections and Collaborations” are the keys. In association with state government, communities, business, industry, the professions, and the non-profit sector, we must work together.

The global challenge is real. The future of our state depends on a shared commitment. I invite you to read this report and discuss it with others. If you are so inclined, please take the time to let us have your comments and suggestions. Ours is a shared responsibility.



Stephen J. Reno
Chancellor

Granite State College's Conway Regional Center is located in the Technology Village in Conway, NH. The philosophy of Tech Village is to expand business and employment opportunities beyond the tourism and service industries. GSC is a partner in the effort and is helping develop and implement programs that provide local businesses with a skilled workforce in the northern part of the state.





UNH received the top honor in Business NH Magazine's first-ever Lean and Green Awards, announced in March. UNH led the winners with the Overall Judges Award, which recognizes the university's extensive sustainable practices, from its cogeneration plant and reuse of purified landfill gas to power the Durham campus to transitioning its extensive public transit system to alternative fuels.

REPORT FROM THE UNIVERSITY SYSTEM OF NEW HAMPSHIRE

Background

The University System of New Hampshire (USNH) includes the University of New Hampshire (UNH) at Durham and Manchester, Plymouth State University (PSU), Keene State College (KSC), Granite State College (GSC), and New Hampshire Public Television (NHPTV). UNH-Durham, PSU, and KSC are the three residential campuses of USNH.

The University System is directed by a 27-member Board of Trustees. Administration of the University System is the responsibility of the chancellor, functioning as the executive agent of the Board of Trustees. The chancellor is the chief executive and academic officer of the University System, responsible for developing, recommending, and implementing the Board of Trustees' policies and decisions.

The University of New Hampshire

UNH is a top-tier land-, sea-, and space-grant public university, serving more than 10,000 undergraduates and 2,000 graduate students. Recognized as a rising star among research universities, UNH retains the atmosphere of a New England liberal arts college with a faculty dedicated to undergraduate teaching and research. Its commitment to engagement and public service serves not only the Granite State, through its many outreach offices such as Cooperative Extension, but nationally and internationally through its public policy expertise in areas as diverse as crimes against children, ocean fisheries management, and rural poverty.

Plymouth State University

PSU is a regional comprehensive university with an established reputation for high academic standards. PSU offers bachelor's degrees in more than forty-five majors and sixty minors, and master's degrees in more than seventy concentrations in a rich, student-focused learning environment for its nearly 7,000 undergraduate and graduate students. The PSU motto is *Ut Prosim* (That I may serve) and the students, faculty, and staff engage communities on a local, regional, national, and international scale in ways that are relevant and practical, as well as mutually beneficial.

Keene State College

KSC celebrates its centennial in 2009 as a dynamic public liberal arts college offering forty majors in the arts and sciences, professional programs, and selected graduate degrees. Keene State draws on strong academic programs, faculty scholars, and a tradition of small classes and spirited inquiry. Rich and varied co-curricular experiences, such as service-learning, promote lifelong learning, career attainment, and personal development.

Granite State College

GSC is New Hampshire's public college for adult learners of all ages. Since 1972, GSC has provided statewide access to higher education to more than 50,000 students—online and at nine community-based academic centers. Flexible bachelor's and associate's degrees, as well as post-baccalaureate teacher certification programs, meet the needs of both employers and working adults. Known for its small classes, affordable tuition, and supportive faculty, GSC has taken a leading role in offering innovative online degree programs.

CONNECTIONS & COLLABORATIONS

As a small state known for its natural resources and beauty, “first in the nation” status in the presidential selection process, and high quality of life, New Hampshire is also recognized by many as a destination for higher education. With an ingrained entrepreneurial spirit at USNH institutions, our connections and collaborations with organizations, communities, and citizens help ensure that educational needs are being met statewide and are both relevant and meaningful.

In FY08, new collaborative efforts have led to improved access to higher education; better information on how students can be prepared for college; greater planning to ensure that investments in academic facilities are sufficient; and far-reaching sustainability efforts to support green campuses and help address rapidly rising energy costs. As the state’s university system, these connections and collaborations support our four-fold vision, which is to be:

1. Truly student oriented
2. Committed to excellence in selected programs and services
3. Efficient and effective in the use of resources
4. Recognized as the partner of choice

This Annual Report looks back over the 2007-08 fiscal year (FY08) and reviews how our accomplishments and collaborative efforts have impacted the state, as well as provides a detailed overview of key financial data from FY08. These accomplishments are described in the next section of the report under each component of our vision.

1. New Hampshire’s University System is Student Oriented

The institutions of the University System revolve around a core commitment to students and student learning. USNH focuses on serving the higher educational needs of the people of New Hampshire and recognizes its responsibility to regularly evaluate those needs, institutional offerings, and how and where programming is delivered.

Connections – The Connections Program, a new cooperative effort, began in the spring of 2008 between USNH and the Community College System of New Hampshire (CCSNH) to create seamless pathways to a four-year degree for New Hampshire students. The program enables students who were not accepted for admission to a USNH residential institution—UNH, PSU, KSC—to attend one of the state’s community colleges or GSC and later be automatically accepted into their original four-year institution of choice, if they meet certain performance measures. For students who satisfactorily complete certain courses, all credits will transfer, no new application is required, and no additional application fees are due.

The Connections Program represents an expansion of a successful model that has been in place since the fall of 2005 between UNH in Durham and the Stratham campus of CCSNH (recently renamed Great Bay Community College). Through this partnership, students who were not accepted to UNH received a letter from the university notifying them that they would automatically be accepted into UNH the following year if they attended the community college at Stratham full-time and met the educational goals of the program.

In spring 2008, New Hampshire residents who were not accepted to one of the three USNH residential institutions were made aware of the Connections Program and encouraged to consider beginning their education at one of the state’s seven community colleges or at GSC. Specific academic requirements vary among the three institutions. Details about the Connections Program are available at www.NHTransfer.org, as well as at the USNH website, www.usnh.edu.

The Affordable College Effort (ACE) – In the fall semester of 2006, USNH launched ACE to help New Hampshire’s neediest students pay for the first year of a college education at one of its residential institutions. College affordability is one of the top concerns of the University System’s Board of Trustees.

The Affordable College Effort has enabled nearly 200 low income USNH students to attend college without incurring debt for tuition, fees, room, and board

Granite State College provides access to public higher education to adults of all ages throughout the State of New Hampshire. Students take advantage of degree, certificate and contract programs of excellence provided through learner responsive curricula, innovative teaching methods, and ongoing assessments of learning outcomes.



ACE

Affordable College Effort

The Trustees endorsed the new effort in FY06, and in FY07 expanded eligibility and increased support to enable eligible students to receive ACE awards for their sophomore year beginning in the fall of 2007. In FY08, the Board continued this expansion to eligible juniors beginning in the 2008-09 academic year.

ACE is geared toward any New Hampshire resident attending a USNH institution as a full-time freshman, sophomore, or junior who started his or her studies within one year of graduating from high school and for which the expected family contribution (as defined by the standard federal calculation) is under \$1,000. During these three years, ACE award recipients will incur no loan debt for meeting the direct costs of education.

Direct (or billed) costs include tuition and standard fees, as well as standard campus housing and meal plans. ACE awards per recipient were approximately \$5,500 in FY08 and a total of 193 students received grants. With the expansion to a third year of eligibility, nearly 300 needy New Hampshire students could be assisted through ACE by the fall of 2008.

USNH Institutions Further Enhance Campus Safety Efforts – In FY08, all USNH institutions reviewed and made enhancements in their crisis communications plans and capabilities in light of recent incidents elsewhere in the country. Some examples of USNH activities follow:

- At UNH, an extensive emergency notification system is in place so that text and e-mail messages are sent during an emergency. UNH's senior management and emergency group members have been trained in the Federal Emergency Management Agency's (FEMA) Incident Command System and crisis response program and a new crisis intervention team or "care team" is available to work with individuals experiencing emotional difficulties and who may pose a threat to themselves or others. Also, the housing department, in cooperation with UNH facilities, has undergone an aggressive review of the campus locking system in our residential buildings to improve access control to student living spaces.
- At PSU, an up-to-date emergency plan provides information and instruction for most every emergency situation. PSU has a dedicated Emergency Communications Task Force that reviews all emergency procedures and recommends improvements. PSU launched PSU Alert—an emergency text and e-mail messaging system—to aid in the expedient distribution

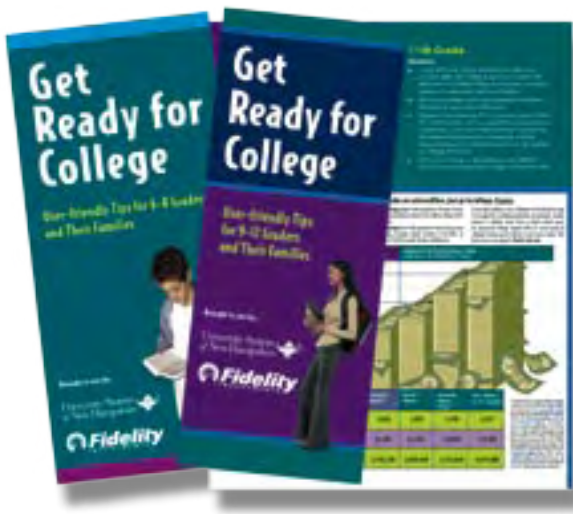
of emergency information to all constituents. The University has committed to the installation and integration of an emergency warning system as part of the plan. Additionally, University Police are receiving extensive training in high-risk emergency and crisis response protocols for a large variety of possible emergency situations.

- KSC has developed and distributed an emergency planning guide for students and a more comprehensive version for faculty and staff. All senior management staff participated in Incident Command System training in February 2008. Two emergency notification systems were installed on campus: an outdoor siren with voice warning capability, and an automated message system to send emergency notifications via cell phone, text messaging, and regular telephones.
- GSC faces different challenges in terms of campus safety since it is not a residential institution and conducts classes in numerous sites, many of which are leased. However, in cooperation with UNH/USNH safety professionals, GSC is developing a comprehensive college-wide safety and emergency preparedness plan that is scheduled for implementation in the fall of 2008.

Project Mentor – In February 2008, USNH received the College Board's New England Region Award for its innovative Project Mentor program, pairing college and middle school students in mentor-mentee relationships. With the support of a \$10,000 College Board grant, USNH expanded its mentorship program statewide in 2006 in an effort to increase the college-going aspirations of the youth of New Hampshire; decrease the number of high school dropouts; and increase the number of high school graduates who attend college.

Marketing and public awareness efforts, including the development of a dedicated website, were supported by grant funds to recruit USNH college students and middle school students and to inform parents and teachers. From the home page of www.ProjectMentorNH.org, a variety of audiences (college students, parents, middle school teachers, counselors) have access to program information relevant to their specific needs and interests. Grant funds were used to purchase educational DVDs and textbooks related to adolescent development and mentoring for faculty and mentors, supported curriculum development, logistical planning, and the design of marketing materials for the Summer Academic Institute. The five-day institute was designed for middle school students to gain confidence in their ability to perform well in mathematics, science, technology, and the arts.

In the 2007-08 academic year, 104 students at 21 middle schools were served through partnerships with USNH college mentors, representing a 35 percent increase in participation from the previous year. Based on survey results, mentees had positive changes in attitude toward school work, expectation to graduate from high school, and expectation to graduate from college.



College Readiness and Success – New Hampshire’s median age is the 5th highest nationally, surpassing Florida in FY08. The oldest members of the baby boomer generation became eligible for social security in 2008 and both the state and the region’s employers have expressed concern about the future workforce and the educational attainment of our youth. USNH continues to address this issue in close partnership with many organizations to help ensure that more students consider and prepare for college.

Get Ready for College – In FY06, USNH developed “Get Ready for College” brochures and posters for middle and high school students and their families. The colorful posters in English and Spanish show students the steps they could take each year to prepare for college. The brochures are for families and students and mirror the content of the posters. These materials have been distributed annually since then. More than 75,000 brochures have been provided to students and parents in two years and posters are currently displayed in most schools. Fidelity Investments provided a grant in FY08 to cover the costs of reprinting and distributing these materials.

North Country Teacher Certification Program – This program is a partnership among PSU, the Community College System’s White Mountains Community College (WMCC) and GSC. The goal of the program is to provide bachelor’s degrees and teaching certification from PSU to place-bound students in New Hampshire’s North Country.

Launched in 2005, the program runs on a two-year cycle with three semesters of coursework and one semester of student teaching. The cohort of students takes their PSU courses together at WMCC. In addition, students can enroll in WMCC or GSC courses for their elective credits, thus broadening their options and enhancing the educational experience.

The goals of the program include the following:

- Increasing access to certification by North Country students who want to become teachers.
- Increasing the number of highly qualified certified teachers in the North Country.
- Responding to the statewide need to certify and retain more teachers in New Hampshire.

2. The University System Delivers Excellence in Selected Programs

The colleges and universities of the University System are complementary in their missions, purposes, and offerings. Each institution brings a unique set of talents and expertise to its students, the state, and beyond. Together, they meet a full spectrum of higher educational needs while being recognized individually for excellence in select areas.

UNH Receives \$25 Million Challenge – The Whittemore School of Business and Economics at UNH-Durham has a long, proud history of offering a first-rate business education to its students, and is known regionally and nationally for its strong undergraduate programs.

What better way to define excellence in a selected program than a pledge for a gift of up to \$25 million—the single largest in UNH history—from alumnus, entrepreneur and philanthropist Peter T. Paul, a native of Troy, NH, and 1967 graduate in business administration.

The gift will help fund construction of a new business college at the university, which upon approval of the USNH Board of Trustees will be named the Peter T. Paul College of Business and Economics. In making the pledge, Paul is challenging alumni, UNH supporters and the business community to raise the rest of the money to fund the new facility, which will cost about \$50 million.

The new building will transform undergraduate and graduate business education at UNH. It will include “smart classrooms” –classrooms outfitted with the latest technology that will allow students and faculty to record lectures and download them onto iPods. The building will also include experiential learning facilities for hands-on learning, informal gathering areas to encourage student collaboration, a café, laboratory space for the hospitality program, and the capacity for 2,500 students.

Paul has generously supported educational programs at UNH in the past: the Peter T. Paul Chair in Space Science and the Dr. Samuel E. Paul Chair in Developmental Psychology in memory of Paul’s father, a well-known and highly regarded physician who practiced in Troy, NH, for nearly thirty years.



Peter T. Paul was joined by his partner, USNH Trustee Jude Blake, as hundreds gathered behind them to hear the announcement of his \$25 million challenge to UNH.



From top, PSU students Derek Sullivan, Meghan Power, Steve Jason, and Teresa Nagle enjoy some down time in their hut during their two-week trip to the Sadhana Forest in Auroville, India. Image provided by Sustainability in India students.

PSU Green is More Than a School Color – Plymouth State University's nationally recognized Center for the Environment works with local communities and organizations to address the science, policies, culture, and economics of the natural environment in New England and beyond. For example, in early January, nine PSU students said goodbye to the comforts of life as they knew it to learn how to live simply and reduce their impact on the earth and the environment. Their destination was Sadhana Forest in Auroville, India, the field study location for Sustainability in India, an advanced sustainability course taught by adjunct faculty member Steve Whitman.

"The course was designed to provide each student with the opportunity to leave their resource-consumptive lifestyle behind and live in a place that has a very small ecological footprint," Whitman explained.

Two weeks living and working in Auroville taught Whitman's students important lessons in sustainability and about how to reduce their ecological footprint, but they came away from the experience transformed in some way.

"I love experiential education. For me, there is no better way to learn about a topic than to be thrown into a situation where I am living it. Learning to live sustainably from a book makes no sense," said PSU student Jamie Osborn.

PSU has created unique Environmental Science and Policy degree programs that offer Bachelor of Science and Master of Science options to develop professionals trained to seek effective solutions to environmental issues.



Each year over 1,200 students participate in online interactive courses offered by Granite State College, the online college of the University System.

- ! Since FY2000, USNH institutions have more than tripled funding for
- undergraduate financial aid



The Communicorps program, a required course for KSC architecture students, was founded in 1995. Students partner with local nonprofits, learning leadership and team skills while solving facility design problems and contributing to community life.

Keene State College Architecture Students Design Green Facility – Keene State College hosts the only public architecture major in New Hampshire and, along with the University of Massachusetts, one of two public architecture programs in New England. The architecture major is a pre-professional, four-year baccalaureate program designed to give students a solid foundation in the artistic, scientific, and technical aspects of architecture. In Communicorps, a required course, students solve design problems for community organizations. In spring 2008, student teams unveiled designs for seven major projects, including a "green" biodiesel facility for the Monadnock Biodiesel Collaborative. Graduates in architecture are prepared to pursue graduate study or transition directly into careers in architecture, planning, building science, construction management, environmental design, design-build, or other related professions.

Granite State College Excels in Online Education – Granite State College has been ranked 27th in the nation in the "2008 Online College Rankings" produced by the web-based, online, distance learning and continuing education resource, Online Education Database. "This recognition by Online Education Database (OEDb) is a testimony to the high quality of our online academic programs and services and a tribute to the outstanding efforts of our faculty, advisors and technical support staff," said Dr. Karol LaCroix, President of GSC. "As the University System of New Hampshire leader in distance education, Granite State College is expanding its reach and making it possible for more residents of our state to earn a college degree."

Only the "most significant degree-granting undergraduate online colleges operating nationally," were considered for this year's OEDb rankings.

PSU's historic Mary Lyon Residence Hall reopened in September 2007 after the completion of a year-long, \$15 million renovation. The project is the first complete renovation since it was built in 1915. Nearly 100 years later, the renovation maintains the residence hall's stately elegance, while modernizing its inner and outer structures.



Strategic Indicators:

In FY06, the Board formally adopted eighteen strategic indicators to monitor and report outcomes for the purpose of demonstrating accountability and informing the various internal and external constituencies served by the University System. This includes monitoring how well students are gaining access to, and finding success in, achieving their educational goals, as well as documenting the value added that New Hampshire receives from outreach and research activities of faculty, staff, and students. Some highlights from the findings that covered the 2006-07 academic year and were reported to the USNH Board in FY08 include the following:

- NH students attending USNH institutions were awarded more than \$56 million in need-based financial aid.
- The number of students who transferred from a New Hampshire community college to a USNH institution totaled 426 for the 2006-07 academic year, a 26 percent increase over the prior year.
- More than 2,000 students enrolled at USNH institutions are the first in their family to attend college.

3. The University System Directs Its Operations Efficiently and Effectively

In FY08, New Hampshire reached a peak in terms of the number of high school graduates. These graduates, as well as those from out of state, continue to have a strong interest in USNH institutions, where applications once again exceeded all-time highs. This demand is expected to slow slightly in the next decade due to demographic changes. During this period, the state will become more diverse, as the non-white population growth is expected to be more rapid than overall growth. In addition, the state will need to replace the baby boomer population that is beginning to retire with an entrepreneurial workforce that can help advance the knowledge economy—creating an even greater need for a college-educated citizenry. Meanwhile, energy and health benefit costs continue to be top concerns and are being examined constantly in terms of creating greater efficiencies and reducing costs. These factors and others require USNH to continually look ahead and consider long-range plans to reduce costs, be accountable to its constituencies, maintain quality, and ensure accessibility.

KEEP-UP Plan Endorsed by Trustees to Address Long Term Academic Facilities Needs

The University System has responsibility for the operation and maintenance of more than half of all of the state's publicly-owned buildings. In FY08, the USNH Board of Trustees endorsed a long-term strategic plan to help ensure that academic facilities used by future students, citizens, and employees will be maintained and upgraded for many years to come. The "KEEP-UP" strategy calls for committing a consistently growing amount of state and university system resources, beginning in FY10, to address significant "deferred maintenance" and the renewal responsibilities that will be coming due, plus necessary improvements. The plan has been submitted to the Governor and Legislature for consideration in 2009.

The Board has had a long-standing commitment to reduce plant renovations of USNH facilities as evidenced by its investment of about \$23 million on plant renewals in FY09. In recent years, the Board has increased funding on academic building repair and renovations by \$1.35 million annually and is currently spending approximately ten times more per year from the operating budget than twenty years ago. Despite this funding increase, there is \$150 million of deferred maintenance and upcoming investment requirements continue to grow.

A study, conducted by VFA, a nationally recognized leader in this sector that was selected through a competitive bid process, included an analysis of 8.3 million square feet. VFA determined that USNH will need to invest \$900 million to address deferred maintenance over the next fifteen years. VFA confirmed that USNH's current rate of investment in facility

renewal will place USNH facilities in greater need of repair than the national average of universities and colleges.

The KEEP-UP strategy for academic buildings calls for an annual dollar-for-dollar match between the state capital budget investment and support from the USNH operating budget, reaching \$35 million annually from each source by FY15. The plan would be phased in beginning in FY10 and includes a \$10 million additional request for state capital budget funds in the FY10-11 biennium. To measure progress of the KEEP-UP strategy, the Board has determined that the VFA study be replicated every five years to provide a snapshot of USNH status at those points.

Operating Budget – In June 2008, the USNH Board of Trustees voted to approve a \$698 million operating budget for FY09 that included a 14.2 percent increase for institutional financial aid to help keep the cost of attendance as low as possible for New Hampshire students. The total direct costs of attendance for full-time undergraduate students will increase 5.2 percent to 6.4 percent across the residential campuses for the fall of 2008. The approved budget represents a 3.4 percent educational and general spending increase above the FY08 level, not including financial aid. The budget includes a 4.2 percent state appropriation increase to \$100 million.

Recent Moody's Report Cites USNH for its "Strong Board Oversight" – In its May 2008 report on public university governance, Moody's Investors Service cited USNH as an example of "strong board oversight contributing to credit enhancement." Specifically, the report highlighted the Board's "careful evaluation of extensive capital needs and financing solutions in recent years."

The report focused on the challenges public higher education faces in the U.S. today due to a weakening economy and concern about tax revenues and the potential negative impact on state appropriations. It discussed governance models and processes across the country that are currently evolving and becoming more market driven. "The [USNH] Board's market-oriented focus has been crucial in light of the System's relatively high number of students drawn from out-of-state and modest proportion of USNH's budget derived from state appropriations," the report stated.

Nationally, according to the report, state appropriations accounted for a median 33.5 percent of operating revenue in FY06 as compared to 39 percent in FY02, continuing a trend of declining dependence on state appropriations that has been occurring over the past two decades. The USNH share of operating revenue provided through state appropriations in FY08 was less than 13 percent.

Moody's also cited the Board's structure and USNH's level of autonomy as positive attributes. "The System has enhanced flexibility in decision making as a result of its tuition-setting authority, its own treasury management, and its receipt of state support in the form of block grants rather than line item appropriations. Moody's expects the USNH's credit profile will continue to benefit from its strong board oversight and healthy relationship with the state," the report stated.

USNH Board Invests in Campus Fundraising – The USNH Board of Trustees, in recognition of the need to further enhance the fundraising capabilities of USNH institutions, approved more than \$6.5 million in direct subsidies for insitutional development and advancement over the next several years. These dollars are being used by all four institutions to support the infrastructure necessary to help move major fundraising campaigns forward and provide an additional revenue stream to support institutions and help fund scholarships to students.

! The cost for UNH to educate students is 16% less than the median for comparative institutions and PSU and KSC also spend less than their comparators

USNH Student Costs

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average Annual Rate of Growth
Tuition, room, board, and mandatory fees											
NH Resident -											
UNH at Durham	\$ 11,737	12,549	13,207	14,012	14,898	15,838	16,810	17,985	19,238	20,352	6.3%
PSU	9,978	10,520	11,024	11,624	12,298	12,940	13,718	14,436	15,574	16,574	5.8%
KSC	9,974	10,400	10,819	11,572	12,202	12,875	13,826	14,838	15,748	16,564	5.8%
Nonresident -											
UNH at Durham	20,627	21,619	22,627	23,712	25,258	26,868	28,530	30,438	32,198	33,832	5.7%
PSU	15,288	15,830	16,524	17,284	18,348	19,380	20,558	21,706	23,124	24,424	5.3%
KSC	15,284	15,710	16,319	17,232	18,252	19,315	20,666	22,108	23,298	24,414	5.3%
Average Increase											5.7%

New USNH Board Leadership

At its June 2008 meeting, the USNH Board of Trustees elected Edward Dupont as board chair and George Epstein as vice chair for one-year terms at their annual meeting at Keene



Edward Dupont

State College. The Board also re-elected Edwinna Vanderzanden as secretary and welcomed six new or recently appointed members.

Andrew Lietz stepped down as chair, having served in the capacity since 2004. Two other long-term Board members also stepped down as of the June 2008 meeting: Jack Lawson of Amesbury, Massachusetts, a UNH alumni-elected member who served since 2000; and former Governor Walter Peterson of Peterborough, NH who is the longest serving member of the Board, having been appointed in 1996.



George Epstein

Ed Dupont is founder and president of The Dupont Group Ltd., a government relations consulting firm in Concord, and director of Merchantbank, a Manchester, NH based venture capital firm. As a

former five-term State Senator, he served as Senate Majority Leader and was elected President of the Senate in 1990.

The six new members are Carol Perkins from Plymouth, NH; William Ardinger from Concord, NH; Nicholas Benson from Wrentham, MA; Judith Blake from Portsmouth, NH and Larkspur, CA; Chester Homer III from Portsmouth, NH; and Eugene Martin, Jr. from Manchester, NH.

In addition, USNH Chancellor Stephen Reno announced in June 2008 that he intended to step down from the position as of June 30, 2009, providing the Board with a significant amount of time to determine how best to fill the position. Chancellor Reno has served in this capacity since August 2000.

4. The University System Is Recognized as a Partner of Choice by Others

USNH recognizes that to fulfill its mission, the institutions and the system as a whole must be engaged in its communities and with its many constituencies to provide the best service possible. Each institution can cite many collaborative efforts on the local, statewide, and even national levels where these partnerships create significant benefits to those who are served. From creative new uses of technology and innovations in sustainability, to health care, lifelong learning, and economic development, these collaborations truly demonstrate why USNH and its institutions are partners of choice.

Forging Stronger Connections Between New Hampshire and New College Graduates – More than 100 representatives from corporations, associations, government and community-based organizations, and higher education have demonstrated their strong support for a cohesive statewide effort to encourage more new college graduates to “stay, work, and play” in New Hampshire. The “55% Initiative,” an effort being led by the University System and USNH Chancellor Stephen Reno, focuses on increasing the percentage of new college graduates who choose to stay in New Hampshire to at least 55 percent from the current 50 percent estimate.

The effort, now in its second year, included significant surveys and data collection to gain more concrete insight on why students choose to stay or leave the state upon graduation, what barriers they may face if they want to stay, and what attributes they cite about the state as being the most important factors in making such a decision. Activities have shifted toward better informing these new graduates about the professional opportunities available in the state, cost benefits associated with remaining in the state, quality of life, cultural aspects, and networking opportunities with the rapidly growing young professionals’ networks that have recently been established. A comprehensive website is under



Organizations across New Hampshire continue to demonstrate their support for the 55% Initiative

development and will include a jobs component feature and web links geared to this audience. The New Hampshire Department of Resources and Economic Development provided grant support for the effort in FY08 and ongoing pro bono assistance is being provided for web development and marketing.

NH EPSCoR and the “Power of Partnerships” – When the New Hampshire EPSCoR program was founded in 2004, it adopted the slogan “The Power of Partnerships” to emphasize that the collaboration it fosters among academic institutions, the government and the private sector, contribute to the state’s economic development. EPSCoR, the Experimental Program to Stimulate Competitive Research, is an opportunity for states to become more successful in obtaining federal grants for scientific research. EPSCoR grants are investments in research infrastructure—costly laboratory instruments and facilities that are necessary to conduct world-class research and build collaborations of national significance—as well as industry-university partnerships and educational programs in engineering and technology.

In FY08, EPSCoR grants to New Hampshire totaled \$9.4 million from the National Science Foundation, the U.S. Department of Defense, and the National Aeronautics and Space Administration.

These grants support university research in sensor technologies for small space satellites, environmental science, nanotechnology, and defense. The grants also help maintain eight research and commercialization partnerships on behalf of New Hampshire companies. UNH has taken a lead role in this research and its Office for Research Partnerships and Commercialization administers the NH EPSCoR program. The program is governed by a 14-member statewide committee composed of leaders from industry, government, and academia including representatives from UNH and the University System Chancellor Stephen Reno.

USNH Institutions Are Regularly Recognized as Partners of Choice

USNH institutions are regularly recognized as partners of choice. Some recent examples include the following:

University of New Hampshire Strives for Energy Efficiency

– A 12.7-mile long pipeline from Waste Management’s Turnkey Recycling and Environmental Enterprise facility in Rochester to the University of New Hampshire’s cogeneration plant is nearly done, and work is underway on the processing plant that will convert landfill gas to enriched and purified gas. Upon completion, it is expected to supply the campus with 80 to 85 percent of its energy needs. More importantly, the landfill gas will stabilize the university’s fluctuating energy costs, which have grown at an annual rate of 12.3 percent since 2004.

EcoLine has become nationally known for its sustainability innovation—UNH is the first university in the country to undertake a project of this magnitude. It is also recognized by those in the industry as a shining example of a partnership between a university and a major corporation.

Beginning in January 2009, UNH will “flip the switch” and methane gas will replace commercial natural gas as the primary fuel in UNH’s cogeneration plant. A second turbine, expected to be brought online in 2009, will enable UNH to use any landfill gas in excess of campus needs to generate electricity to sell back to the grid.

In 2001, UNH was ranked by the U.S. Department of Energy in the top 5 percent for energy efficiency among similar colleges and universities. Nationally, Waste Management generates more than 700 megawatts of clean energy – enough to power 700,000 homes or replace more than 8 billion barrels of oil annually.

Scriblio Software Launched at Plymouth State University

– In August 2007 Plymouth State University officially launched Scriblio on the University’s Lamson Library and Learning Commons website. Scriblio is groundbreaking software developed at PSU and designed



to make it easier for libraries, historical societies, and museums to post their collections online, allowing the titles and descriptions of library holdings to be found on the Internet.

Since its launch, a number of libraries have selected Scriblio to manage their catalogs online, including the Hong Kong University of Science and Technology. Scriblio was selected as their “next generation” library catalog because of its ease of use and customization. This commitment to the project has led to improved multilingual support and performance optimizations. In June 2008 the Hong Kong University held a workshop on installing and customizing Scriblio that attracted participants from all of Hong Kong.

In March 2008 PSU was one of only nine universities in the world to launch the Google Book Search Book Viewability API through its Scriblio library software. This allows patrons to preview, read and search excerpts, or even full texts, of select books they find in the Lamson Library catalog online via Google Book Search.

Scriblio is open source software and is available to libraries worldwide to download and use free of charge.



UNH’s innovative landfill gas project, EcoLine, includes a pipeline that runs 12.7 miles from Waste Management’s Turnkey Recycling and Environmental Enterprise facility in Rochester to the campus in Durham.

Early Sprouts Program Fights Childhood Obesity, Garners Accolades – Keene State College’s Early Sprouts program, led by Health Science Professor Karrie Kalich, is a 24-week nutrition and gardening curriculum for preschoolers that originated at KSC in 2006. Designed to address the public health problem of childhood obesity, Early Sprouts engages preschool children and their families in a program centered on a working vegetable garden. Children learn to grow, harvest, cook, and eat fresh vegetables, and take produce and recipes home every week. Piloted at KSC, the program has expanded to six Head Start centers in southern New Hampshire, and recently was honored by Acting Surgeon General Dr. Steven Galson with a Champion Award. Early Sprouts partners with several foundations, local supermarkets, builders, and the National Gardening Association.

Granite State College to Receive \$1 Million Grant – The Bernard Osher Foundation announced that it is awarding Granite State College a \$1 million grant to establish an endowment in support of its OLLI program (Osher Lifelong Learning Institute). OLLI provides adults over the age of fifty with an opportunity to learn for the fun of it. The Bernard Osher Foundation is an advocate of lifelong learning opportunities headquartered in San Francisco, California. A member-based organization, OLLI now offers more than sixty different classes during two eight-week sessions. Class selections are developed in direct response to the interests of OLLI’s 500 members. Currently, OLLI classes are held in Concord, Manchester, Exeter, and Conway.

■ USNH students provided nearly
● 2 million hours of service to their
● communities during the 07-08
academic year



Amy Toscano gets her hands dirty at KSC’s Child Development Center with the new Early Sprouts gardening project. The goal is for children to develop a healthy relationship with vegetables.

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 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 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.

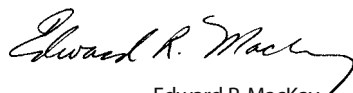
The internal control systems include an organizational structure that provides for careful recruitment and training of qualified personnel, proper segregation of financial duties, and a program of regular internal audits. These controls are designed to provide reasonable assurance that assets are safeguarded 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. Management seeks to continually improve internal controls, given costs thereof and management's assessment of the probability and potential consequences of future events. According to the "Internal Control – Integrated Framework" report published by the National Commission on Fraudulent Financial Reporting (the Treadway Commission), internal controls can

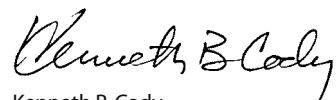
be judged effective if management has "reasonable assurance that (1) they understand the extent to which the entity's operating objectives are being achieved, (2) published financial statements are being prepared reliably, and (3) applicable laws and regulations are being complied with." Based on these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

The Audit Committee of the Board of Trustees is responsible for overseeing USNH's financial reporting process and internal control systems, as well as 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 Audit Committee, the voting members of which are solely outside trustees, meets at least three times per year and at the request of the Director of Internal Audit. Both internal and external auditors have unencumbered access to the Audit 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 45 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 auditor's opinion on the 2008 financial statements, is reproduced on the following page.


Edward R. MacKay
Vice Chancellor and Treasurer


Kenneth B. Cody
Chief Financial Officer and Associate Treasurer



PricewaterhouseCoopers LLP

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Boston, MA 02110-1707
Telephone (617) 530 5000
Facsimile (617) 530 5001
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Report of Independent Auditors

To the 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 consolidated statements of net assets and the related consolidated 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, 2008 and 2007, and its consolidated 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 the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

The Management's Discussion and Analysis on pages 15 through 22 is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

September 19, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. Introduction

The following unaudited Management's Discussion and Analysis 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, 2008. This analysis provides a comparison of significant amounts and measures to prior periods and, where appropriate, presents management's outlook for the future.

The University System of New Hampshire is a Section 501(c)(3) corporation organized under the laws of the State of New Hampshire to serve the people of the state as the largest public provider of higher education, research and public service. USNH accomplishes its mission 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, with campuses in Durham (UNH) and Manchester (UNHM); Plymouth State University (PSU); Keene State College (KSC); and Granite State College (GSC). Most of USNH's activities take place at the three residential campuses (UNH, PSU and KSC), the urban campus (UNHM), the nine regional sites of GSC, the state's only public television station (New Hampshire Public Television or NHPTV), and the multiple Cooperative Extension and Small Business Development Centers located throughout New Hampshire. However, USNH performs public service throughout the state and region, and conducts scholarly research on all continents of the globe, the far reaches of the universe, and the depths of the sea. The accompanying financial statements also include activities and balances for the Keene Endowment Association (KEA) and the University of New Hampshire Foundation, Inc. (UNHF), two legally separate but affiliated entities. During fiscal year 2009, NHPTV will become a wholly-owned 501(c)(3) corporation of USNH (to be known as New Hampshire Public Broadcasting) and, accordingly, will be treated as a separate affiliated entity in future year financial statements.

II. Financial Highlights and Economic Outlook

Management considers revenue diversification key to building a financially healthy institution capable of sustainable success. Chart 1 below shows revenue diversification in 2008, while Chart 2 shows these same revenues broken down by institution.

The main sources of revenue continue to show steady and sustainable growth over the long term. Net tuition and fees revenue increased 8% over 2007. Net tuition per student has grown at every USNH campus every year over the past five years. While the state operating appropriation was only 12.4% of total 2008 revenues, it is a dependable revenue source, enabling USNH to perform effective long-term strategic planning and manage resources efficiently. As shown on Chart 3 on the following page, USNH general appropriations have increased every year for the past 25 years, including a 4.1% increase in 2008. In addition, appropriations are slated to increase 4.2% in 2009.

Since the fall of 2003, credit enrollments at USNH have increased 7.4%, or 1,817 FTE students, including increases of 1,398 resident students and 419 nonresident students (see Table 1). Approximately 52% of UNH new students in the fall of 2007 ranked in the top 20% of their high school class, up from 46% in 2003. As seen in Table 2, there has been a 35% growth in annual applications to UNH over the past four years and the acceptance rate has been reduced from 70% to 59% of applications over the same period, increasing selectivity. The combined SAT scores for new UNH students averaged 1,110 in fiscal year 2008. Enrollments at the residential campuses grew approximately 3% in 2008, and are expected to remain steady for the foreseeable future as the campuses are at or near maximum capacity.

UNH has developed into an internationally prominent research institution in recent years. The ten-year record of UNH competitively-won research and other sponsored programs shows a 65% increase in

2008 Revenues = \$764 Million
(not including capital additions/deductions)
(shown here at gross amounts, not netted for student financial aid)
(\$ in millions)

Chart 1: Diversification of 2008 Revenues

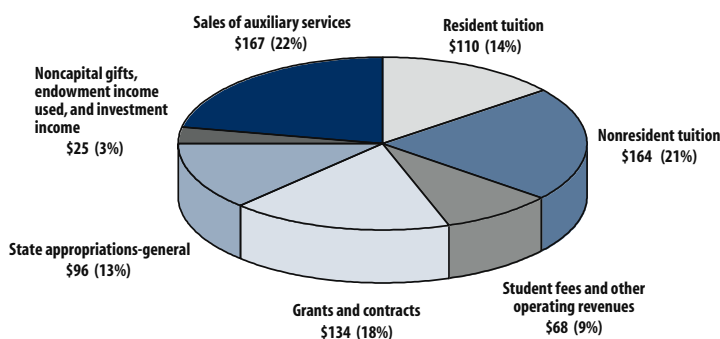
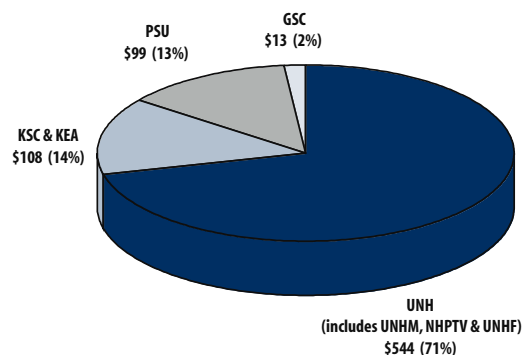
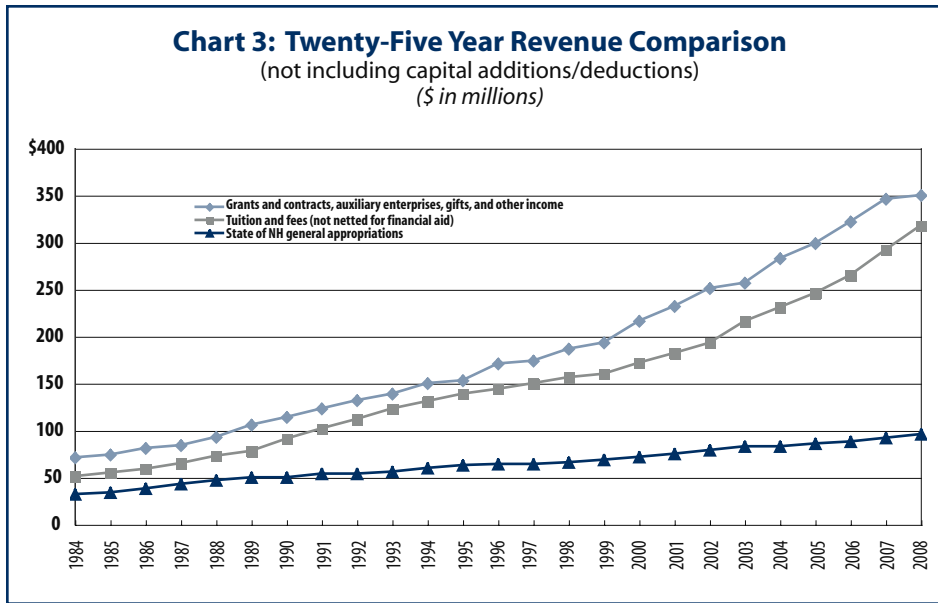


Chart 2: 2008 Revenues by Institution





awards, from \$60 million in 1999 to \$99 million in 2008, down from a peak of \$128 million in 2006 (see Chart 4). Competition for sponsored awards has been increasingly challenging due to large infrastructure investments among the top research universities and diminished funding levels at the Federal level. Sponsors of UNH awards include the US government, the state, non-profits and the commercial sector. Management anticipates award volume to remain near the \$100 million level over the foreseeable future.

Facilities and administrative cost recoveries on grants and contracts totaled approximately \$20 million USNH-wide for the years ended June 30, 2008 and 2007. This is an important unrestricted revenue stream used to support USNH infrastructure. During 2009 UNH will be negotiating its Federal facilities and administrative cost rate and expects recoveries to continue near current levels for future years.

The credit crisis and other macro-economic factors impacted USNH operations during 2008 as described. The USNH endowment pool lost 4.6% in 2008 compared to gains of 17.0% in 2007. Over the past ten years, the USNH endowment pool has earned an average net return of 6.6%, paid out an average of 5.4%, and reinvested the balance of an average 1.2% each year. During this same period, inflation as measured by the higher education price index (HEPI) was 3.9%. Over the long-term, the average amount reinvested each year should be at least equal to HEPI to assure intergenerational equity. To help close this gap, management has capped the USNH endowment payout-per-unit for designated purposes in 2009 at 103% of the 2008 amount. In addition, the State of New Hampshire recently adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Among other things, UPMIFA will require USNH to institute new policies related to the nonexpendable and expendable portions of endowment investments for the campuses and our affiliated entities. Chart 5 on the following page shows the growth of USNH endowment and similar funds over the past ten years. Additional information on the components of the increase for the past three years can be found in Table 5 on page 21.

Operating investment income was also lower in 2008 than in 2007. As detailed in Note 12, certain commercial paper investments held by USNH were placed in receivership during 2008. The investments met the requirements of USNH's investment policy as described in Note 2, but were downgraded subsequent to purchase by USNH. Accordingly, USNH

Table 1: Full-Time Equivalent (FTE) Credit Enrollment in the Fall of Each Year

	2003	2004	2005	2006	2007
UNH	13,129	13,165	13,333	13,741	13,856
PSU	4,525	4,921	5,266	5,322	5,554
KSC	4,484	4,504	4,478	4,550	4,815
UNHM	909	884	839	848	861
GSC	1,253	1,255	1,016	1,038	1,031
Total USNH FTEs	24,300	24,729	24,932	25,499	26,117
NH Resident	14,976	15,313	15,504	16,059	16,374
Nonresident	9,324	9,416	9,428	9,440	9,743
Total USNH FTEs	24,300	24,729	24,932	25,499	26,117

Table 2: Freshman Applications, Acceptances and Enrollees at UNH at Durham in the Fall of Each Year*

	2003	2004	2005	2006	2007
Freshman applications received	11,203	12,009	12,809	13,991	15,122
Freshman acceptances as % of applications (selectivity ratio)	70%	69%	72%	67%	59%
Freshman enrolled as % of acceptances (matriculation yield)	34%	31%	30%	33%	30%

*excludes transfers and readmits

has adjusted the asset value as of June 30, 2008 to the estimated net realizable value which approximates fair value. The estimated unrealized depreciation of these investments is \$9.9 million and has been netted with all other operating investment income, gains and losses as reflected on the Statement of Revenues, Expenses and Changes in Net Assets on page 24. USNH has filed a formal complaint with the New Hampshire Bureau of Securities Regulation related to investment broker actions and representations associated with the purchase of these investments; the complaint is currently pending resolution.

USNH saw higher interest expense in 2008 as a result of prevailing economic conditions. The interest rates on USNH's variable rate NHHEFA debt (see Note 8) escalated in the winter of 2007/2008 as the auction rate securities market experienced liquidity concerns and several mono-line bond insurers were downgraded. USNH took a number of steps to stem these increases including converting four series of bonds to different modes, removing bond insurance, and establishing self-liquidity commitments (see Note 9). While these steps were successful, management will continue to monitor markets closely and make prudent adjustments as appropriate.

Management and trustees continue to focus on controlling costs of employee benefits and utilities. Medical and dental costs net of employee cost sharing increased a total of 15.9% in 2008 and have increased an average of 10.0% per year over the past ten years. Increases for 2009 are expected to continue in the 11% range despite continuing increases in employee cost sharing. Utilities expenses in 2008 increased only 0.8% over 2007, primarily as a result of the UNH cogeneration plant savings. In addition, during 2008 USNH issued \$46.6 million of bonds to finance the EcoLine Landfill Gas Pipeline Project at UNH. The project will transport cleansed landfill gas to the Durham campus to be used as the primary source of fuel for the cogeneration plant. EcoLine is expected to be online for the 2008/2009 heating season to further lower and stabilize energy costs, and will eventually supply up to 85% of the Durham campus' needs for electricity, heating and cooling. While UNH costs will remain stable, energy costs for PSU and KSC are expected to increase in 2009 due to higher heating oil prices.

USNH has a long tradition of efficient operations, tight spending controls, and balanced budgets. Fiscal year 2008 was no

Chart 4: Awards for Competitive Sponsored Programs, UNH Only
(\$ in millions)

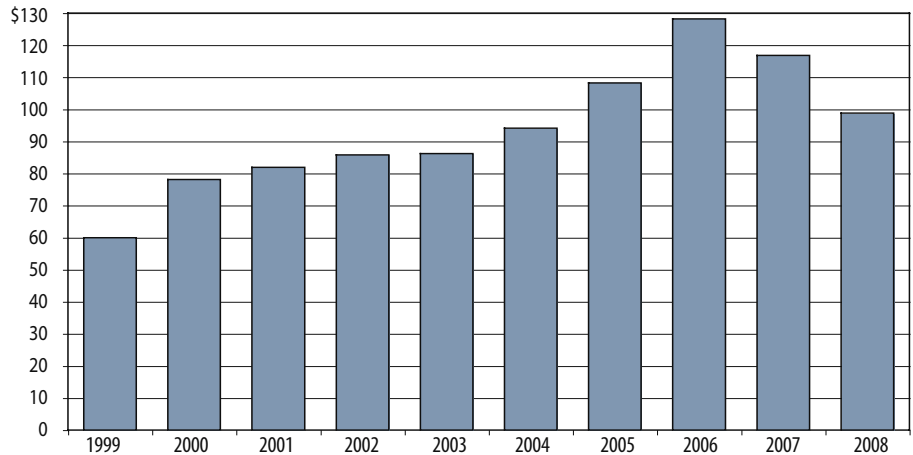


Chart 5: Total USNH Endowment & Similar Funds
(includes UNHF & KEA)
(\$ in millions)

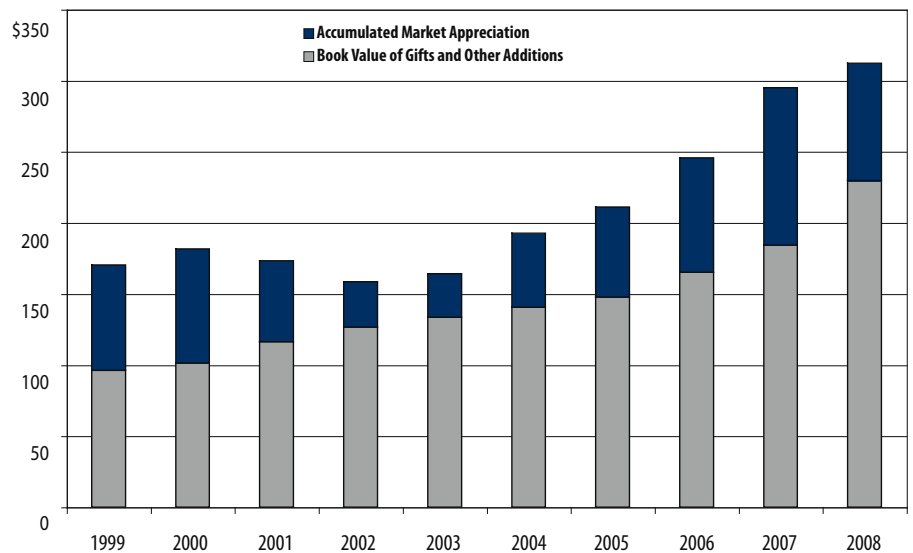
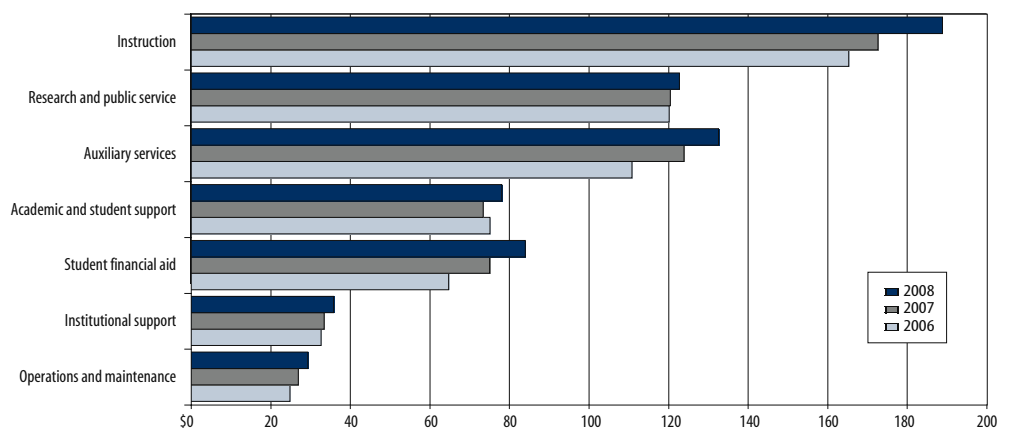


Chart 6: Current Fund Expenses by Functional Classification
(\$ in millions)



different and management expects to continue in this businesslike mode. While programmatic expenses and costs associated with direct services to students and customers have outpaced increases in general overhead expenses, institutional support is one of the smallest components of USNH expense and has been well-controlled as seen in Chart 6.

In 2001 the state demonstrated its commitment to USNH as an engine of economic development by authorizing the first phase (\$100 million) of a two-phase capital program to expand and renovate teaching and departmental research facilities, primarily for science and engineering. This program, known as the Knowledge Economy Education Plan for New Hampshire (KEEP-NH), is expected to bolster the state's high tech job market for years to come. Funding for phase two of KEEP-NH, an additional \$110 million, was approved in June 2005. Spending and commitments against the combined KEEP-NH appropriation through June 30, 2008 totaled approximately \$133 million. The remaining \$76 million will be expended over the next five years to renovate and expand three major science buildings at UNH-Durham and improve existing infrastructure throughout USNH. (See Note 5 for additional information on KEEP-NH spending to date.) During 2008 USNH also worked with two professional services firms to complete a full review of deferred maintenance requirements on the residential campuses. Management is beginning to work with the state on shared funding models to address the issue of deferred maintenance of academic facilities on an ongoing basis.

In addition to the EcoLine bonds noted on the previous page, USNH issued \$145 million and \$65 million of New Hampshire Health and Education Facilities Authority (NHHEFA) revenue bonds in 2006 and 2005, respectively. These funds have been used to build and renovate student residence and dining facilities on the three residential campuses. (See Note 8 for details on all outstanding debt issuances.) Management is currently assessing other student needs on the residential campuses and may pursue limited additional financing within the next two years.

USNH has adopted key strategic performance indicators, including financial measures, for each campus and the University System as a whole. The financial measures include targets that are designed to assist management in improving/maintaining the USNH operating margin, unrestricted financial resources (net assets), and total financial resources over the long-term, thereby ensuring a financially healthy organization capable of serving the citizens of the state indefinitely. USNH compares itself to the Moody's median for similarly rated A1 public universities and university systems.

Unrestricted net assets grew by approximately \$20 million in 2008 by continuing the focus on prudent fiscal management. Strategic increases in unrestricted net assets over the past several years are one indicator of USNH's financial health, and have allowed USNH to leverage its assets via \$257 million in additional debt since 2005.

Management monitors the unrestricted financial resources to total debt ratio carefully and considers it an important gauge of the financial health of USNH. This is particularly important as USNH is halfway through a 12-year \$1 billion capital facility improvement plan, financed primarily through debt, operating surpluses and state KEEP-NH appropriations as detailed in Chart 9. Management expects the unrestricted financial resources to total debt ratio to trend slightly lower over the next two years if USNH incurs additional debt for the residential campus needs mentioned above. See the Capital and Debt Activities section beginning on page 19 for additional information in this regard.

Chart 7: Unrestricted Financial Resources (Net Assets) to Operations

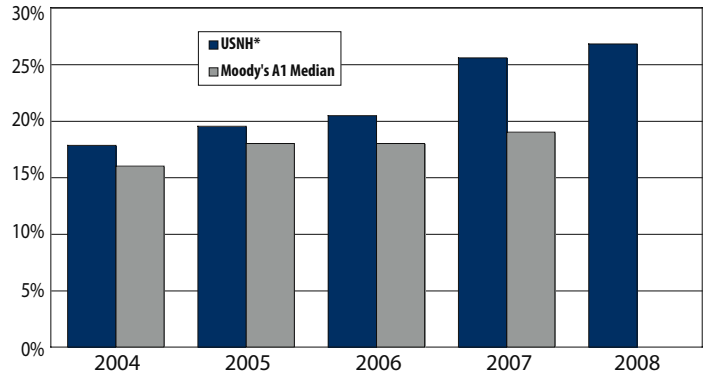
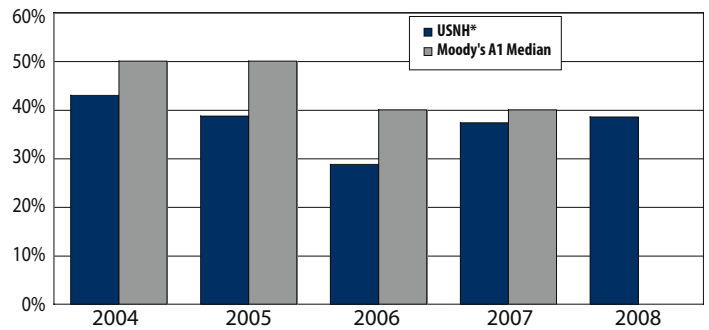
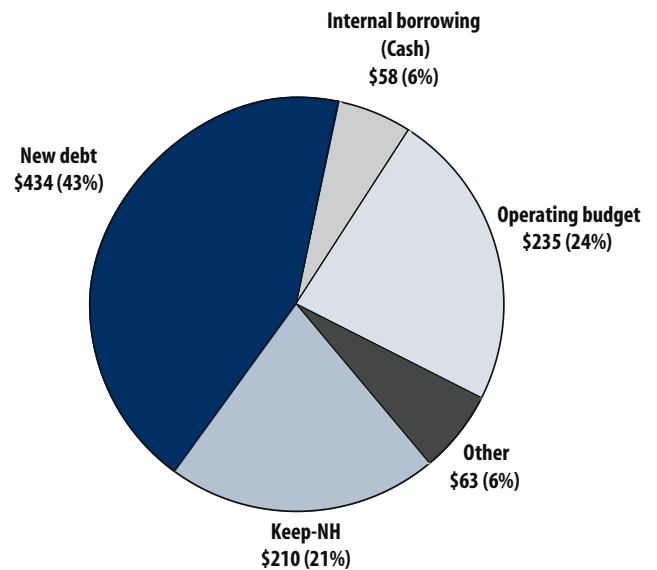


Chart 8: Unrestricted Financial Resources (Net Assets) to Total Debt



*Adjusted for postretirement medical liabilities. See Note 7 for additional information.

Chart 9: Capital Funding Sources, 2001-2013
Total = \$1 Billion
(\$ in millions)



III. Using the Financial Statements

A. Statement of Net Assets

The Statement of Net Assets depicts the financial position of USNH at 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 at fair value, 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 enrollments; quality and distinction of the faculty; growth and diversification of revenue streams; and prudent management of costs, financial assets and facilities. Table 3 below shows summary information derived from the Statement of Net Assets at June 30, for the past five years.

Total assets increased by \$522 million or 55% over the past five years to approximately \$1.5 billion at June 30, 2008. Total assets are categorized as either current or noncurrent. The major components of assets are cash and operating investments, endowment and similar investments, and property and equipment. Other assets include accounts and notes receivable, prepaid expenses, and debt proceeds held by others for construction purposes.

As discussed further below, endowment investments were valued at \$312 million as of June 30, 2008, an increase of \$17 million over 2007. The net increase in property and equipment was \$73 million for 2008, compared to \$88 million for 2007. These increases are primarily a result of the KEEP-NH projects and utilization of bond proceeds for construction as described below.

Liabilities are primarily comprised of accrued postretirement medical benefits and long-term debt. The long-term debt of USNH primarily consists of bonds and capital leases payable. Between 2005 and 2008, USNH issued \$257 million of revenue bonds to finance new construction, as described more fully below. Other liabilities include accounts payable, deferred revenue, accrued employee benefits, and government advances refundable (amounts provided by the US Government under the Perkins Loan Program that would be refundable should USNH cease operating its revolving loan programs).

Total net assets have grown from \$579 million at June 30, 2004 to \$836 million at June 30, 2008, an increase of 44% in the past four years. Net assets are reported in three net asset categories. The invested in capital assets amount is the historical cost of property and equipment reduced by total accumulated depreciation and the balance of related debt

outstanding. Restricted net assets include funds already expended or committed, such as loan funds and endowments and similar funds, where assets are restricted as to purpose or assets are required to be invested in perpetuity.

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 on the Statement of Net Assets. 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. Substantially all unrestricted net assets are committed for goods and services not yet received, capital projects in various stages of planning and completion, normal working capital for departmental activities, or designated for specific future purposes. See Note 10 for further details on net asset balances.

Capital and Debt Activities

Expenditures for property and equipment are recorded as additions to assets on the Statement of Net Assets with the related depreciation recorded as an operating expense on the Statement of Revenues, Expenses and Changes in Net Assets. 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 nonoperating expense in the Statement of Revenues, Expenses and Changes in Net Assets, whereas the principal payments required to pay down the debt are reflected as a reduction of the corresponding liability.

Major capital projects for the past four years and construction in progress as of June 30, 2008 are listed in Table 4 on the following page.

Academic Facilities

The KEEP-NH legislation signed into law in July 2001 resulted in an initial \$100 million appropriation from the state to fund the renovation and expansion of teaching and research facilities, primarily for science and technology. The first KEEP-NH initiative was successfully completed with the reopening of Kingsbury Hall (home of UNH's College of Engineering and Physical Science) in the summer of 2007. All the projects using the

Table 3: Summary Information Derived from the Statement of Net Assets as of June 30

(\$ in millions)

	2004	2005	2006	2007	2008
Cash and operating investments	\$158	\$ 188	\$ 202	\$ 226	\$ 225
Endowment and similar investments	193	211	245	295	312
Property and equipment, net	534	588	694	782	855
Other assets	73	110	166	105	88
Total assets	<u>\$958</u>	<u>\$1,097</u>	<u>\$1,307</u>	<u>\$1,408</u>	<u>\$1,480</u>
Postretirement medical benefits	\$ 43	\$ 45	\$ 49	\$ 52	\$ 51
Long-term debt	221	279	418	419	458
Other liabilities	115	140	137	138	135
Total liabilities	<u>\$379</u>	<u>\$ 464</u>	<u>\$ 604</u>	<u>\$ 609</u>	<u>\$ 644</u>
Invested in capital assets, net	\$329	\$ 352	\$ 386	\$ 411	\$ 433
Restricted	199	218	246	283	279
Unrestricted	51	63	71	105	124
Total net assets	<u>\$579</u>	<u>\$ 633</u>	<u>\$ 703</u>	<u>\$ 799</u>	<u>\$ 836</u>

Table 4: Major Construction Projects

	Campus	Name of Project	Primary Purpose	Total Project Cost (\$ in millions)	Primary Sources of Funds
Fiscal year completed:					
2004	UNH	Holloway Hall	Student dining	\$29	NHHEFA bonds
	UNH	Congreve Hall renovation	Student residential	16	NHHEFA bonds
	UNH	Murkland Hall renovation	Academic & research	9	State appropriations
	PSU	Boyd Hall renovation	Academic & research	19	State appropriations & gifts
2005	KSC	Science Center	Academic & research	24	State appropriations & gifts
2006	KSC	Zorn Hall	Student dining	21	NHHEFA bonds, gifts & cash
2007	UNH	Gables Apartments expansion	Student residential	37	NHHEFA bonds
	UNH	Central Heating/Cogeneration Facility	Energy infrastructure	30	Capital lease & cash
	UNH	Thompson Hall renovation	Administrative	4	Cash
	PSU	Langdon Woods	Student residential	29	NHHEFA bonds
	KSC	Butler Court	Student residential	18	NHHEFA bonds
	KSC	Media Arts Center	Academic	5	Cash
2008	UNH	Kingsbury Hall renovation and expansion	Academic & research	56	State appropriations, gifts & cash
	UNH	Southern Underpass	Infrastructure	8	State approps, fed grants & cash
	PSU	Mary Lyon Hall renovation	Student residential	16	NHHEFA bonds & cash
In progress at June 30, 2008, at budgeted amounts:					
	UNH	Southeast Residential Community	Student residential	51	NHHEFA bonds
	UNH	EcoLine Landfill Gas Project	Energy infrastructure	45	NHHEFA bonds & cash
	UNH	DeMeritt Hall	Academic & research	21	State appropriations & gifts
	UNH	Marine Pier	Infrastructure	14	Federal grants
	UNH	Fairchild Hall renovation	Student residential	9	NHHEFA bonds
	UNH	Chase Hall addition	Academic & research	3	Federal grants
	UNH	Main Street Reconstruction Project	Infrastructure	2	State grants, local grants & cash
	UNH	Philbrook Hall expansion	Academic & research	6	NHHEFA bonds & cash
	UNH	James Hall	Academic & research	35	State appropriations & gifts
	PSU	Central Campus Infrastructure improvements	Energy & other infrastructure	7	State appropriations & cash
	KSC	Pondside III Apartments	Student residential	17	NHHEFA bonds
	KSC	Central Heating Plant & Cogeneration Facility	Energy infrastructure	10	State appropriations & cash
	KSC	Fiske Hall renovation	Student residential & administrative	9	NHHEFA bonds & cash
	NHPTV	Digital Transmission Conversion	Other infrastructure	3	State appropriations

first phase of funding were completed on-time and on-budget, and set the stage for continuation of the KEEP-NH initiative detailed below.

The state approved a second appropriation of \$110 million to complete the KEEP-NH plan by 2013. The first project made possible with this additional funding was the fiscal year 2007 purchase of an office condominium, the University Technology Center in Conway, NH to allow consolidation of various USNH North Country operations and expansion of GSC. Three major building projects and infrastructure improvements will be completed with the remaining funds. The building projects involve ground-up renovations/upgrades/expansion to key science buildings at UNH. The infrastructure improvements include modernization of plant utilities and updates to a wide variety of electrical, data, steam, water, sanitation, roads, parkway and waterway systems across all campuses, and completion of the digital transmission conversion for NHPTV.

Residential Life Facilities

In 2005, each of the three residential campuses housed approximately 55% of their traditional age undergraduate populations. The long-term strategic goal of each campus is to house approximately 60% of its undergraduates. To meet this goal USNH issued an additional \$210 million in revenue bonds during 2005 and 2006. Projects completed so far include the Zorn Dining Hall and Butler Court Residence Halls at KSC, the Langdon Woods and Mary Lyon Residence Halls at PSU, and the Gables Apartments Expansion at UNH. Projects expected to be completed by September 2008 include the Fiske Residence Hall renovation at KSC, and the Philbrook Dining Hall, Fairchild Residence Hall renovations and new Southeast Residential Community at UNH. Once all projects are completed, management expects to reach the student housing goals of 60% for undergraduates at each residential campus.

UNH Energy Infrastructure Facilities

During 2004, USNH entered into a construction contract for replacement of the central heating plant at UNH, including an electricity cogeneration facility. The project cost totaled \$30 million of which \$19 million was financed by a 20-year capital lease, with the balance coming from USNH funds. The facility went online in early fiscal 2007. This facility is able to burn multiple fuels and will significantly reduce the risks and costs from volatile utility prices. Building on the success of the cogeneration facility, in August 2007 the Trustees approved EcoLine, a landfill gas project that will pipe enriched and purified gas from a landfill in Rochester, NH to the Durham campus. The project includes construction of a methane gas processing plant and underground pipeline to transport the processed gas to the cogeneration facility, as well as an additional turbine to generate electricity. The resultant renewable, carbon-neutral gas will replace commercial natural gas as the primary fuel in UNH's cogeneration plant, enabling UNH to derive 80%-85% of its energy from a renewable resource. UNH is expected to fuel its cogeneration plant with landfill gas beginning in fiscal year 2009. NHHEFA bonds were issued in 2008 to fully fund the project.

See Notes 5 and 8 for further information on capital and debt activities, respectively.

Endowment and Similar Investments

Endowment gifts are invested in various assets depending on whether the donor contributed 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 Table 5 above: the USNH Consolidated Investment Pool (CIP) for the benefit of several campuses or the UNHF endowment pool for the benefit of UNH only. The investment pools are managed to provide the highest rate of return over the long term given an acceptable level of risk as determined by the responsible fiduciaries. The USNH 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 5 shows summarized endowment activity for the years ended June 30, 2008, 2007 and 2006.

Table 5: Endowment Activity for the Years Ended June 30

(\$ in millions)

	USNH Campuses		Affiliated Entities			Total
	Pooled	Other	UNH Foundation		KEA	
			Pooled	Other		
Fair value, June 30, 2005	\$ 94	\$15	\$ 95	\$3	\$4	\$211
New gifts	4		5	1		10
Quasi endowment additions & other changes	6					6
Total return	14		13			27
Total distribution	(5)		(5)			(10)
Fair value, June 30, 2006	113	15	108	4	4	244
New gifts	5		4			9
Quasi endowment additions & other changes	10			1		11
Total return	20	3	18	1		42
Total distribution	(5)	(1)	(5)			(11)
Fair value, June 30, 2007	143	17	125	6	4	295
New gifts	9		8			17
Quasi endowment additions & other changes	27					27
Total return	(7)	(1)	(6)	(1)		(15)
Total distribution	(5)	(1)	(6)			(12)
Fair value, June 30, 2008	\$167	\$15	\$121	\$5	\$4	\$312

Endowment return used in operations from all sources, including the CIP and the UNHF pool, totaled \$12 million in 2008 and \$11 million in 2007. The effective rate of endowment distribution using actual dollars distributed over beginning fair values of endowment investments was 4.1% in 2008 and 4.5% in 2007. See Notes 4 and 11 for further information on endowment and similar investments, respectively.

B. 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, other revenues and expenses, and other changes in net assets, as prescribed and defined by the Governmental Accounting Standards Board (GASB). The total net assets of USNH increased \$37 million in 2008 compared to an increase of \$55 million in 2004. Table 6 shows summary information derived from the Statement of Revenues, Expenses and Changes in Net Assets for the past five fiscal years ended June 30.

There are three major components which management considers separately when analyzing the change in total net assets: net income from recurring activities (also referred to as operating margin); capital appropriations and other plant changes; and endowment gifts and unutilized total returns. The net income (loss) from recurring activities is further broken down into operating revenues, operating expenses, and other revenues (expenses).

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. GASB reporting standards require certain significant recurring revenues to be shown as nonoperating, including state general appropriations, noncapital gifts, operating investment income, and endowment return 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. In other words, the regular operating expenses of USNH are funded in part by revenues not shown as operating revenues under GASB formats. Operating revenues for 2008 were \$126 million greater than four years prior whereas operating expenses increased \$121 million during the same period. Other revenues (expenses) for 2008 increased by \$12

Table 6: Summary Information Derived from the Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30
(\$ in millions)

	2004	2005	2006	2007	2008
Operating revenue	\$432	\$457	\$495	\$524	\$558
Operating expenses	(522)	(545)	(579)	(602)	(643)
Other revenues (expenses), net	93	99	106	119	106
Net income from recurring activities	3	11	22	41	21
Capital appropriations and other plant changes, net	23	23	24	14	29
Endowment gifts and unutilized total returns, net	29	20	28	40	(11)
Other changes in net assets			(3)		(2)
Net increase in net assets	<u>\$ 55</u>	<u>\$ 54</u>	<u>\$ 71</u>	<u>\$ 95</u>	<u>\$ 37</u>

million over 2004 and include state appropriations, gifts, operating investment income, endowment returns used in operations, and interest expense. Despite the writedown of commercial paper described on page 17, the result was an improvement in the operating margin from \$3 million in 2004 to \$20 million in 2008.

Capital appropriations and other plant changes resulted in an increase in net assets of \$30 million in 2008, primarily due to KEEP-NH as described on pages 19 and 20. The endowment gifts and unutilized total return amount of (\$11) million in 2008 includes new gifts of \$17 million offset by losses and distributions totaling \$28 million as detailed in Table 5. This compares to new gifts of \$9 million and returns net of distributions of \$31 million in 2007. Management continues to focus on building the endowment through three strategies: investing endowment assets to generate improved total returns while managing risk; reducing dependence on endowment returns used in operations; and working to foster philanthropic interest to support the endowment with new giving.

Table 7: Summary Information Derived from the Statement of Cash Flows for the Years Ended June 30
(\$ in millions)

	2004	2005	2006	2007	2008
Cash flows provided by (used in):					
Operating activities	\$(45)	\$(38)	\$(47)	\$(39)	\$(52)
Noncapital financing activities	92	97	100	104	108
Capital financing activities	(35)	(3)	20	(118)	(46)
Investing activities	(37)	(35)	(71)	73	24
Increase (decrease) in cash and cash equivalents	(25)	21	2	20	34
Increase (decrease) in current and long-term operating investments	39	9	12	4	(35)
Change in cash, cash equivalents and operating investments	<u>\$ 14</u>	<u>\$ 30</u>	<u>\$ 14</u>	<u>\$ 24</u>	<u>\$ (1)</u>

C. Statement of Cash Flows

The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal period. Table 7 shows summary information derived from the Statement of Cash Flows for the five years ended June 30, 2008.

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 direct method of the Statement of Cash Flows, on the other hand, shows cash inflows and outflows. 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 receipts for State general appropriations and noncapital gifts be shown as cash flows from noncapital financing activities. Included in cash flows from capital financing activities are all plant funds and related long-term debt activities, as well as gifts to the endowment. This includes KEEP-NH and NHHEFA bond construction amounts expended. Cash flows from investing activities show all uses of cash and cash equivalents to purchase investments, and all cash and cash equivalents provided by the sale of investments and income generated from cash and investments owned. 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 Statement of Net Assets

(\$ in thousands)

	Balance at June 30,	
	2008	2007
ASSETS		
Current Assets		
Cash, cash equivalents, and operating investments	\$ 218,848	\$ 194,346
Accounts receivable	18,467	21,085
Accounts receivable - State of NH appropriations	4,518	2,979
Pledges receivable - current portion	1,445	1,072
Notes receivable - current portion	3,392	3,202
Prepaid expenses and other current assets	5,154	5,300
Total Current Assets	251,824	227,984
Noncurrent Assets		
Debt proceeds held by others for construction purposes	32,195	48,334
Long-term operating investments	6,830	31,945
Endowment and similar investments - campuses	182,519	159,878
Endowment and similar investments - affiliated entities	129,760	135,205
Pledges receivable	885	1,053
Notes receivable	18,686	18,769
Property and equipment, net	854,679	781,805
Other assets	2,760	2,719
Total Noncurrent Assets	1,228,314	1,179,708
TOTAL ASSETS	\$1,480,138	\$1,407,692
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 29,912	\$ 38,557
Construction services payable	13,150	11,835
Deposits and deferred revenues	35,581	35,016
Accrued employee benefits - current portion	6,544	5,785
Postretirement medical benefits - current portion	5,117	5,080
Long-term debt - current portion	8,583	7,164
Total Current Liabilities	98,887	103,437
Noncurrent Liabilities		
Obligations under life income agreements	2,664	2,799
Government advances refundable	16,805	16,732
Accrued employee benefits	29,991	27,543
Postretirement medical benefits	46,305	46,426
Long-term debt	449,612	411,880
Total Noncurrent Liabilities	545,377	505,380
TOTAL LIABILITIES	\$ 644,264	\$ 608,817
NET ASSETS (see Note 10)		
Invested in capital assets, net of related debt	\$ 432,454	\$ 410,520
Restricted		
Nonexpendable	162,452	145,637
Expendable	116,491	137,982
Unrestricted	124,477	104,736
TOTAL NET ASSETS	\$ 835,874	\$ 798,875

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

University System of New Hampshire
Statement of Revenues, Expenses and Changes in Net Assets
(\$ in thousands)

	For the year ended June 30,	
	2008	2007
OPERATING REVENUES		
Tuition and fees	\$ 317,554	\$ 291,967
Less: student financial aid	(84,210)	(75,179)
Net tuition and fees	233,344	216,788
Grants and contracts	134,251	132,348
Sales of auxiliary services	166,906	152,501
Other operating revenues	23,593	22,262
Total Operating Revenues	558,094	523,899
OPERATING EXPENSES		
Employee compensation and benefits	411,386	388,062
Employee separation incentives	4,037	432
Supplies and services	163,388	152,451
Utilities	24,453	24,269
Depreciation	39,683	36,594
Total Operating Expenses	642,947	601,808
Operating loss	(84,853)	(77,909)
NONOPERATING REVENUES (EXPENSES)		
State of New Hampshire general appropriations	96,000	92,250
Gifts	12,483	11,565
Operating investment income (see Note 12)	1,248	16,851
Endowment return used for operations	11,628	10,724
Interest expense, net	(15,927)	(12,724)
NET INCOME BEFORE OTHER CHANGES IN NET ASSETS	20,579	40,757
OTHER CHANGES IN NET ASSETS		
State of New Hampshire capital appropriations	20,235	8,084
Plant gifts, grants, and other changes, net	8,931	6,487
Endowment and similar gifts	16,849	8,851
Endowment return, net of amount used for operations	(27,595)	31,241
Other changes in net assets	(2,000)	-
Total Other Changes in Net Assets	16,420	54,663
INCREASE IN NET ASSETS	36,999	95,420
Net assets at beginning of year	798,875	703,455
NET ASSETS AT END OF YEAR	\$835,874	\$798,875

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

University System of New Hampshire

Statement of Cash Flows

(\$ in thousands)

	For the year ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees, net	\$ 232,895	\$ 214,959
Grants and contracts	137,489	130,600
Sales of auxiliary services	166,972	152,981
Other operating revenues	23,275	23,709
Payments to employees	(311,617)	(294,280)
Payments for employee benefits	(108,660)	(94,048)
Payments to suppliers and services	(192,509)	(172,747)
NET CASH USED IN OPERATING ACTIVITIES	(52,155)	(38,826)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State general appropriations	96,000	92,250
Gifts	12,174	11,723
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	108,174	103,973
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State appropriations for plant projects	18,697	8,608
Plant gifts and grants	8,931	7,603
Endowment gifts	16,741	9,162
Purchases of property, equipment, and construction services	(108,213)	(128,321)
Proceeds from sale and disposal of property and equipment	515	186
Proceeds from issuance of debt	46,519	6,789
Debt principal payments	(7,890)	(5,224)
Interest expense	(18,930)	(17,349)
Other expenses	(2,000)	-
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(45,630)	(118,546)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	466,532	718,005
Purchase of investments	(462,704)	(666,741)
Endowment investment yield	6,959	6,285
Operating investment income	11,765	11,302
Investment income on bond proceeds	1,749	4,172
NET CASH PROVIDED BY INVESTING ACTIVITIES	24,301	73,023
Increase in cash and cash equivalents	34,690	19,624
Beginning cash and cash equivalents	117,832	98,208
ENDING CASH AND CASH EQUIVALENTS	\$ 152,522	\$ 117,832
Ending cash and cash equivalents, as above	\$ 152,522	\$ 117,832
Operating investments	66,326	76,514
TOTAL CASH, CASH EQUIVALENTS, AND OPERATING INVESTMENTS	\$218,848	\$194,346
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (84,853)	\$ (77,909)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	39,683	36,594
Changes in current assets and liabilities:		
Accounts receivable	2,000	(2,370)
Pledges receivable	-	(215)
Notes receivable	(190)	(815)
Prepaid expenses and other current assets	146	(529)
Accounts payable and accrued expenses	(10,201)	1,232
Deposits and deferred revenues	501	2,170
Accrued employee benefits	759	3,016
NET CASH USED IN OPERATING ACTIVITIES	\$ (52,155)	\$ (38,826)

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

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, Granite State College, and all wholly-owned and operated auxiliary activities. These organizations are collectively referred to in the accompanying financial statements as "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 blended with those of the campuses, and all associated inter-entity 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 Hampshire Public Television (NHPTV) will undergo a reorganization in fiscal year 2009. NHPTV will become a wholly-owned 501(c)(3) corporation renamed "New Hampshire Public Broadcasting" and, accordingly, will be treated as an affiliated entity of USNH in future years.

New accounting standards

The USNH financial statements and notes for 2008 and 2007 as presented herein include the provisions of the following GASB pronouncements:

- GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, was adopted by most public universities as of July 1, 2007, but was early-adopted by USNH as of July 1, 2002. In addition, on June 30, 2006 GASB issued Technical Bulletin 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*. GASB Statement No. 45 and the related technical bulletin require that USNH record estimated expenses and liabilities associated with expected future payments for postretirement benefits of existing employees and retirees in these financial statements. See Note 7 for detail of these amounts and the associated benefit programs.
- GASB Statement No. 50, *Pension Disclosures*, was adopted by most public universities as of July 1, 2007, but was early adopted by USNH as of July 1, 2006. This statement expands the footnote disclosures required for pension obligations included in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. See Note 6 for the related disclosures.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. Statement No. 49 will require USNH to record liabilities for pollution remediation when an obligating event occurs.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for periods beginning after June 15, 2009. This statement requires that certain intangible assets be identified and recorded as capital assets.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for periods beginning after June 15, 2009. Among other things, Statement No. 53 will require USNH to record the fair value of derivative investments in the financial statements.

USNH is currently evaluating the impact of these new standards on its financial statements.

The State of New Hampshire recently adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which will be effective beginning July 1, 2009. Among other things, UPMIFA will require USNH to institute new policies related to the nonexpendable and expendable portions of endowment investments for both the campuses and affiliated entities. Management is currently reviewing the impact of these requirements on the financial statements.

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.

USNH follows the requirements of the "business-type activities" (BTA) model as defined by GASB Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis for Public Colleges and Universities*. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

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, as more fully detailed in Note 10:

- **Invested in capital assets, net of related debt:** Property and equipment at historical cost or fair value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition or construction of those assets.
- **Restricted Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by USNH. Such net assets include the historical gift value of restricted true endowment funds.
- **Restricted Expendable:** Net assets whose use by USNH is subject to externally imposed stipulations. Such net assets include the accumulated net gains on true endowment funds as well as the fair value of restricted funds functioning as endowment, restricted funds loaned to students, restricted gifts and endowment income, and other similarly restricted funds.
- **Unrestricted:** 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 endowment; or committed to capital construction projects.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The most significant areas that require management estimates relate to valuation of certain investments, useful lives and related depreciation of capital assets, and accruals for postretirement medical and other employee-related benefits.

Operating revenues include tuition and fees, grants and contracts, sales of auxiliary services, and other operating revenues. Tuition and fee revenues are reported net of student financial aid discounts and allowances. Operating expenses include employee compensation and benefits, supplies and services, utilities, and depreciation. Operating expenses also include early retirement and other separation incentive stipends and benefits promised to certain employees in exchange for termination of employment. All such termination benefits are accrued as of the date the termination agreement is signed, and are presented at net present value at year end. Nonoperating revenues (expenses) include all other revenues and expenses except certain changes in long-term plant, endowment and other net assets, which are reported as other

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

Investments are maintained with established financial institutions whose credit is evaluated by management and the respective governing boards of USNH and its affiliated entities. Highly liquid investments with a maturity of 90 days or less when purchased are recorded as cash and cash equivalents. Current operating investments have a maturity of more than 90 days when purchased, are highly liquid and are invested for purposes of satisfying current liabilities and generating investment income to support operating expenses. Long-term operating investments are unrestricted amounts invested alongside the endowment pool which are not expected to be liquidated in the next year, but which are available for operating purposes if needed. Purchases and sales of investment securities are recorded as of the trade date. Net realized and unrealized gains and losses on endowment investments, as well as interest and dividend yield, are reported as endowment return. Endowment return used for operations per application of the endowment spending policy is reported as nonoperating revenue whereas the excess (deficiency) of endowment return over that used for operations is reported as other changes in net assets.

In addition to the amounts reported as accounts receivable, USNH had unearned grants and contracts for services not yet performed of \$122,609,000 and \$133,834,000 at June 30, 2008 and 2007, 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, 2008 and 2007 was \$19,762,000 and \$19,858,000, respectively, and is a component of grants and contracts revenue.

Unconditional pledges of nonendowment gifts are presented net of estimated amounts deemed uncollectible after discounting to the present value of expected future cash flows. Because of uncertainties 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 \$8,249,000 and \$7,213,000 at June 30, 2008 and 2007, respectively, which are expected to be received over the next twelve years, have not been reported in the accompanying financial statements. USNH determines on a case-by-case basis whether to first apply restricted resources when an expense is incurred where both restricted and unrestricted net assets are available.

Property and equipment are recorded at original cost for purchased assets or at fair value on the date of donation in the case of a gift. Equipment with a unit cost of \$5,000 or more is capitalized. Building improvements with a cost of \$25,000 or greater are also capitalized. Net interest costs incurred during the construction period for capital projects are added to the cost of the underlying asset. The cost of equipment purchased under capital leases is recorded at the present value of the minimum lease payments at the inception of the lease. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets. The cost of certain research buildings is componentized for purposes of calculating depreciation. Buildings and improvements are depreciated over useful lives ranging from 10 to 50 years. Depreciable lives for equipment range from 3 to 30 years. See Note 5 for additional information on depreciation. USNH does not record donated works of art and historical treasures that are held for exhibition, education, research and public service. Library collections are recorded as an expense in the period purchased.

Deferred revenue consists of amounts billed or received in advance of USNH providing goods or services. Advances from the US 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 fair value of individual true endowment funds is less than the historic gift value, the difference is recorded as a charge to unrestricted net assets, as detailed in Note 10.

Certain amounts previously reported in the 2007 financial statements have been reclassified to be comparable to the 2008 presentation.

2. Cash, cash equivalents and operating investments

Cash, cash equivalents and operating investments are recorded at cost, which approximates fair value, except where there is a permanent impairment of value as detailed in Note 12. USNH's investment policy requires that banks in which USNH holds investments must have FDIC or FSLIC insurance. All repurchase agreements must be fully collateralized at 100% of the face value by US Government and federal agency obligations. Commercial paper must be rated at least A-2 by Moody's Investor Service (Moody's) or P-2 by Standard and Poor's Corporation (S&P) and be limited to no more than \$10,000,000 invested per issuer. Money market funds and other mutual funds must be affiliated with a commercial bank or major investment advisor. The short-term and mid-term investment policies are intended to mitigate credit risk on investments individually and in the aggregate through restrictions on investment type, issuer, custodian, dollar level, maturity, and rating category.

Cash and cash equivalents:

Highly liquid investments with a maturity of 90 days or less when purchased are recorded as cash and cash equivalents. Cash and cash equivalents at June 30 consisted of the following (*\$ in thousands*):

	2008	2007
Cash and repurchase agreements	\$ 6,030	\$ 18,752
Money market funds and other mutual funds	146,492	70,248
Commercial paper	-	28,832
Total	<u>\$152,522</u>	<u>\$117,832</u>

Included in the cash and repurchase agreements balances at June 30, 2008 were \$3,061,000 in repurchase agreements, \$9,470,000 in cash and a net cash overdraft of \$6,501,000. This compares to \$12,640,000 in repurchase agreements, \$9,180,000 in cash and a net cash overdraft of \$3,067,000 at June 30, 2007.

The commercial paper investments at June 30, 2007 had a weighted average maturity of 17 days. Repurchase agreements are limited to overnight investments only.

Operating investments:

Unlike the long-term operating investments discussed in Note 4 below, operating investments included in current assets are amounts invested to meet regular operations of USNH and include obligations of the US Government, commercial paper, money market and other mutual funds, and the current portion of debt proceeds held by others for construction purposes. Operating investments generally have an original maturity of more than 90 days when purchased, are highly liquid and are invested for purposes of satisfying current liabilities and generating investment income to support operating expenses. The components of operating investments at June 30 are summarized below (*\$ in thousands*):

	2008		2007	
	Balance	Weighted Average Maturity	Balance	Weighted Average Maturity
Obligations of the US government	\$31,335	3 years	\$54,779	1 year
Corporate bonds and notes	7,341	4 years	5,952	4 years
Money market and other mutual funds	14,129	Not Applicable	8,904	Not Applicable
Current portion of debt proceeds held by others	6,724	Not Applicable	6,811	Not Applicable
Commercial Paper (at estimated fair value)	6,644	Not Applicable	-	
Other accounts	153	Not Applicable	68	Not Applicable
Total	<u>\$66,326</u>		<u>\$76,514</u>	

Operating investments in mutual funds are uninsured and uncollateralized against custodial credit risk. The investments associated with debt proceeds held by others for construction purposes are described in detail in Note 4 below.

Commercial paper held as operating investments is uninsured and uncollateralized against custodial credit risk. The commercial paper investments held at June 30, 2008 are in receivership. See Note 12 for additional information in this regard.

3. Accounts, pledges and notes receivable

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

	2008	2007
Grants and contracts	\$14,110	\$16,991
Student and general	6,065	5,883
State of NH capital projects	4,518	2,979
Allowance for doubtful accounts	(1,708)	(1,789)
Total accounts receivable, net	<u>\$22,985</u>	<u>\$24,064</u>

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

	2008	2007
Pledges receivable, net	\$2,330	\$2,125
Less: noncurrent portion	(885)	(1,053)
Current portion	<u>\$1,445</u>	<u>\$1,072</u>

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

	2008	2007
Perkins loans	\$22,838	\$22,900
Other loans, restricted and unrestricted	888	704
Allowance for doubtful loans	(1,648)	(1,633)
Total notes receivable, net	22,078	21,971
Less: noncurrent portion	(18,686)	(18,769)
Current portion	<u>\$ 3,392</u>	<u>\$ 3,202</u>

4. Investments

Investments include debt proceeds held by others for construction purposes, long-term operating investments, and endowment and similar investments of the campuses and affiliated entities. Investments are monitored by management and the respective governing boards of USNH and its affiliated entities. The carrying amount of these financial instruments approximates fair value.

Debt proceeds held by others for construction purposes:

At June 30, 2008, total debt proceeds held by others included \$32,195,000 of construction proceeds held by the bond trustee (see Note 8 for information on the debt related to these projects). At June 30, 2007, total debt proceeds held by others included \$52,279,000 of construction proceeds held by the bond trustee for construction projects and \$399,000 of capital lease proceeds for equipment purchases held in escrow.

Debt proceeds held by others for construction purposes consisted of the following investments at June 30 (*\$ in thousands*):

	2008		2007	
	Balance	Weighted Average Maturity	Balance	Weighted Average Maturity
Guaranteed investment contracts	\$10,782	123 days	\$48,334	2 years
Money market mutual funds	28,137	Not Applicable	6,811	Not Applicable
Total debt proceeds held by others	38,919		55,145	
Less: current portion included in Note 2	(6,724)		(6,811)	
Long-term portion	<u>\$32,195</u>		<u>\$48,334</u>	

Long-term operating investments:

Long-term operating investments represent unrestricted amounts invested alongside the campuses' endowment pool which are not expected to be liquidated in the next year, but which are available for operations if needed. The balance of long-term operating investments at June 30, 2008 and 2007 was \$6,830,000 and \$31,945,000, respectively. These amounts consisted of ownership shares of the campuses' endowment pool and, therefore, the components, credit risk, and all other investment characteristics are identical to those described below.

Endowment and similar investments:

Endowment and similar investments are amounts invested primarily for long-term appreciation and consisted of the following as of June 30 (*\$ in thousands*):

	Campuses		Affiliated Entities	
	2008	2007	2008	2007
Mutual funds – money markets	\$ 5,145	\$ 4,266	\$ 8,316	\$ 10,847
Mutual funds – bonds	15,865	15,744	16,151	15,351
Mutual funds – stocks	10,192	12,632	44,621	47,378
Mutual funds – real estate	2,867	5,540		
Commercial paper				15,587
US government obligations			18,862	814
Corporate bonds and notes			421	604
Common/preferred stocks	79,973	87,682	18,277	22,470
Alternative investments	60,546	49,455	18,355	16,526
Investments held by others	14,761	16,504	4,757	5,628
Subtotal	189,349	191,823	129,760	135,205
Operating amounts invested alongside endowment pool	(6,830)	(31,945)		
Total	<u>\$182,519</u>	<u>\$159,878</u>	<u>\$129,760</u>	<u>\$135,205</u>

Alternative investments as shown above include private equity, venture capital, absolute return, hedge, natural resource and real estate funds. The estimated fair value of investments is based on quoted market prices except for certain alternative investments, for which quoted market prices are not available. The estimated fair value of certain alternative investments is based on valuations provided by external investment managers and reviewed by USNH. Because these alternative investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, but such differences are not estimated to be material.

Mutual funds, common stocks, and alternative investments 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 asset allocations, and ongoing investment review.

The endowment and similar investment components as of June 30 are summarized below (*\$ in thousands*):

	Campuses		Affiliated Entities	
	2008	2007	2008	2007
Pooled endowments:				
Campuses	\$167,407	\$142,938		
UNHF			\$120,628	\$125,306
KEA			4,375	4,271
Life income and annuity funds	351	436	4,757	5,628
Funds held in trust	14,761	16,504		
Total	<u>\$182,519</u>	<u>\$159,878</u>	<u>\$129,760</u>	<u>\$135,205</u>

Commitments with various private equity and similar alternative investment funds which have not yet been called totaled \$15,098,000 for the campuses and \$5,877,000 for UNHF at June 30, 2008. This compares to \$18,345,000 and \$5,897,000, respectively, at June 30, 2007. See Note 11 for discussion of endowment return used for operations.



5. Property and equipment

Property and equipment activity for the years ended June 30, 2008 and 2007 is summarized as follows (*\$ in thousands*):

	2007			2008			
	Balance June 30, 2006	Additions and other changes	2007 Retirements	Balance June 30, 2007	Additions and other changes	2008 Retirements	Balance June 30, 2008
Land	\$ 10,518	\$ 191		\$ 10,709	\$ 1,058		\$ 11,767
Buildings and improvements	827,397	136,052	\$(1,709)	961,740	131,187	\$(590)	1,092,337
Equipment	117,291	10,293	(5,697)	121,887	7,146	(7,582)	121,451
Construction in progress, net	184,048	(20,521)	-	163,527	(26,090)	-	137,437
Total property and equipment	1,139,254	126,015	(7,406)	1,257,863	113,301	(8,172)	1,362,992
Less: accumulated depreciation	(445,579)	(36,593)	6,114	(476,058)	(39,683)	7,428	(508,313)
Property and equipment, net	<u>\$ 693,675</u>	<u>\$ 89,422</u>	<u>\$(1,292)</u>	<u>\$ 781,805</u>	<u>\$ 73,618</u>	<u>\$(744)</u>	<u>\$ 854,679</u>

As of June 30, 2008, USNH has four construction projects in progress utilizing funds received from proceeds of recent bond issues. Outstanding contractual obligations for these projects totaled \$14,748,000 at June 30, 2008. This compares to \$28,445,000 of obligations for the nine construction projects in process at June 30, 2007. See Note 8 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 \$6,330,000 and \$17,940,000 at June 30, 2008 and 2007, respectively. The state provides funding to USNH for all such amounts expended under the KEEP-NH program, up to the authorized total of \$209,500,000. KEEP-NH funds remaining after expenditures and obligations totaled \$75,961,000 and \$87,208,000 at June 30, 2008 and 2007, respectively. See Note 8 for further description of state-funded plant facilities.

6. Accrued employee benefits

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

	Balance June 30, 2006	2007 Payments to/on behalf of participants	2007 Accrued expenses & other changes	Balance June 30, 2007	2008 Payments to/on behalf of participants	2008 Accrued expenses & other changes	Balance June 30, 2008	Current portion
Operating staff retirement plan	\$ 7,745	\$ (825)	\$ 221	\$ 7,141	\$ (829)	\$ 674	\$ 6,986	\$ 829
Additional retirement contribution	2,745	(63)	(285)	2,397	(188)	302	2,511	251
Early retirement and employee separation incentives	3,381	(1,036)	189	2,534	(3,168)	4,037	3,403	1,242
Medical benefits for the long-term disabled	2,291	(437)	583	2,437	(523)	1,026	2,940	523
Workers' compensation	1,962	(1,026)	1,126	2,062	(1,430)	1,870	2,502	1,206
Compensated absences	14,755	(2,177)	2,826	15,404	(1,311)	2,356	16,449	869
Other	80	(80)	1,353	1,353	(250)	641	1,744	1,624
Total	\$32,959	\$(5,644)	\$6,013	\$33,328	\$(7,699)	\$10,906	\$36,535	\$6,544

The operating staff retirement plan is a defined benefit plan closed to new participants since 1987. At June 30, 2008 there were approximately 248 current annuitants and 115 participants with deferred benefits, all fully vested. This compares to 265 current annuitants and 121 participants as of June 30, 2007 with deferred benefits, all fully vested. USNH has cash and unrestricted funds functioning as endowment assets of \$6,951,000 and \$8,072,000 at June 30, 2008 and 2007, respectively, designated to fund the third-party actuarially determined obligations of the plan. The investment return assumption (discount rate) used in determining the accrued pension benefit obligation was 8.5% for both years.

The accumulated operating staff retirement plan benefit obligation and funded status at June 30 consisted of the following (\$ in thousands):

	2008	2007
Retired participants and beneficiaries	\$4,773	\$4,903
Active participants	1,058	1,380
Other participants	1,155	858
Accrued pension benefit obligation	6,986	7,141
Less: funds functioning as endowment assets available for benefits	(6,951)	(8,072)
(Over) Under funded plan balance	\$ 35	\$ (931)

USNH's additional retirement contribution program 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 prior to July 1, 1994 are eligible for a guaranteed minimum retirement contribution. There were 843 and 1,088 employees

meeting these requirements as of June 30, 2008 and 2007, respectively. Based on third-party actuarial calculations, USNH has accrued \$2,511,000 and \$2,395,000 at June 30, 2008 and 2007, respectively, for the related obligations. USNH has designated cash assets of \$2,745,000 for these obligations as of June 30, 2008 and 2007 which fully funds the plan. The most recent actuarial valuations for both the operating staff retirement plan and the additional retirement contribution program were performed as of June 30, 2007. The figures above reflect the results of this review.

Early retirement and employee separation incentive programs were provided to various faculty and staff during 2008 and 2007. Incentives include stipends, as well as medical, educational and other termination benefits. The present value of future costs associated with these incentive options is accrued as of the date of acceptance into the program. The balances at June 30, 2008 and 2007 represent accruals for 140 and 122 participants, respectively.

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

In addition, eligible employees may elect to participate in defined contribution retirement plans administered by others. Contributions by USNH under these plans in 2008 and 2007 amounted to \$21,690,000 and \$20,022,000, respectively.

7. Postretirement medical benefits

The postretirement medical plans are single-employer plans administered by USNH. Total annual other postemployment benefit (OPEB) cost for the years ended June 30, 2008 and 2007, and the liability as of June 30, 2008 and 2007 included the following components (\$ in thousands).

	2008	2007
Annual required contribution	\$ 6,755	\$ 6,755
Interest on net OPEB obligation	4,378	4,191
Adjustment to annual required contribution	(6,717)	(5,005)
Annual OPEB cost	4,416	5,941
Contributions made	(4,500)	(3,293)
(Decrease) increase in net OPEB obligation	(84)	2,648
Net OPEB obligation at beginning of year	51,506	48,858
Net OPEB obligation at end of year	\$51,422	\$51,506
Current portion	\$ 5,117	\$ 5,080

The primary defined benefit postretirement medical plan, the University System of New Hampshire Medicare Complementary Plan, was optional for all full-time status employees hired before July 1, 1994 and their dependents. At June 30, 2008 and 2007, there were approximately 516 and 582 active employees who may eventually be eligible to receive benefits under this program. 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.

For measurement purposes, annual rates of increase of 9-10% in the per capita cost of covered healthcare services, and 13% for prescriptions are assumed for 2009 for the primary plan. These rates are assumed to decrease gradually to 5.5% by 2017 and remain at that level thereafter. The healthcare cost trend and discount rate assumption have a significant effect on the amounts reported. The discount rate used in determining the accumulated postretirement obligation was 8.5% for both 2008 and 2007.

Third party actuaries are used to determine the postretirement benefit obligation and annual expense amounts. The actuarially determined postretirement benefit expense for the primary plan was \$4,416,000 for 2008 and \$5,941,000 for 2007. The plan is funded on a pay-as-you-go basis with benefits paid when due. Actuarial calculations reflect a long-term perspective. By definition such calculations involve estimates and, accordingly, are subject to revision. These calculations are based on the benefits provided by the plan at the time of the last biennial plan valuation, June 30, 2007, and were developed using the Projected Unit Credit Cost Method.

8. Long-term debt

Long-term debt activity for the year ended June 30, 2008 and 2007 was as follows (\$ in thousands):

	Balance June 30, 2006	2007 Additions and other changes	2007 Retirements	Balance June 30, 2007	2008 Additions and other changes	2008 Retirements	Balance June 30, 2008	Current portion
Auxiliary bonds	\$ 2,206		\$ (833)	\$ 1,373		\$ (718)	\$ 655	\$ 377
NHHEFA bonds								
Series 2001*	56,640	\$ 2,713	(1,227)	58,126		(1,270)	56,856	1,210
Series 2002	39,809		(1,826)	37,983		(1,917)	36,066	1,980
Series 2005A	64,736	9	(300)	64,445	\$ 9	(1,100)	63,354	1,350
Series 2005B	86,694	410		87,104	410		87,514	865
Series 2006A	24,260	4		24,264	4		24,268	
Series 2006B	120,235	(59,985)		60,250	13	(600)	59,663	825
Series 2006B-2		63,907		63,907		(715)	63,192	800
Series 2007					46,418		46,418	
Capital leases	22,899	29	(1,336)	21,592		(1,383)	20,209	1,176
Total	<u>\$417,479</u>	<u>\$ 7,087</u>	<u>\$(5,522)</u>	<u>\$419,044</u>	<u>\$46,854</u>	<u>\$(7,703)</u>	<u>\$458,195</u>	<u>\$8,583</u>

*includes interest rate swaption amount as noted below

State of NH Auxiliary bonds

Bonds issued by the state to finance auxiliary enterprise buildings and improvements require remittance of semi-annual principal and interest payments from revenues associated with the specific auxiliary activities. Due dates range from July 2009 to July 2010 at variable effective rates of 4.5% to 6.5% as of June 30, 2008. State statute requires these bonds to be repaid entirely by USNH and accordingly, these bonds are recorded as USNH debt.

New Hampshire Health and Education Facilities Authority (NHHEFA) Bonds and interest rate swaps

NHHEFA is a public body corporate and an agency of the State of New Hampshire whose primary purpose is to assist New Hampshire not-for-profit educational and health care institutions in the construction and financing (or refinancing) of related facilities. NHHEFA achieves this purpose primarily through the issuance of bonds. Since 1989 all USNH bonds have been issued through NHHEFA. None of USNH's NHHEFA bonds provide for a lien or mortgage on any property. USNH is obligated under the terms of the NHHEFA bonds to make payments from revenues received from certain housing, dining, union, recreational, and other related revenue generating facilities. The state is not liable for the payment of principal or interest on the NHHEFA bonds, nor is the state directly, indirectly or contingently obligated to levy or pledge any form of taxation whatsoever or to make any appropriation for their payment. USNH is in compliance with all covenants specified in the NHHEFA bonds, the most restrictive of which is maintenance of a debt-service coverage ratio, as defined of at least 1.1 to 1. A description of each NHHEFA bond issuance and all related interest rate swaps follows:

Series 2001 Bonds and interest rate swaption

On March 1, 2001 NHHEFA issued \$151,210,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2001 (2001 Bonds). A portion of the 2001 Bonds was refunded by the Series 2005B Bonds described below. The remaining face value of the 2001 Bonds is \$54,205,000, and is shown above net of unamortized original issue discount. Interest is due semi-annually at fixed effective rates of 3.6% to 5.1%. Principal is due annually through July, 2033.

USNH entered into a swaption agreement on December 15, 2006 that gives the counterparty the option to require USNH to enter into a swap agreement 60 days before the call date of the 2001 Bonds, July 1, 2011. If executed, the notional amount of the swap would be tied to the then-outstanding balance of the 2001 Bonds (expected to be \$42,570,000), and USNH will be required to pay the counterparty a fixed rate of 4.5% while receiving a floating rate of 67% of

one month LIBOR from the counterparty, and USNH would plan to issue variable rate debt to replace the 2001 fixed rate bonds. The unrestricted swaption proceeds (\$2,948,000) are invested as funds functioning as endowment. The remaining swaption liability (\$2,512,000) is a component of long-term debt and is being amortized to interest income over the remaining term of the underlying bonds.

Series 2002 Bonds

On April 2, 2002 NHHEFA issued \$42,715,000 of Refunding Revenue Bonds, University System of New Hampshire Issue, Series 2002 (2002 Bonds), shown above net of unamortized original issue premium. Proceeds from the 2002 Bonds were used to complete an advance refunding in the form of an "in-substance defeasance" of bonds originally issued in 1992. Interest is due semi-annually at fixed effective rates of 5.1% to 5.3%. Principal is due annually through July 1, 2020. The bonds are callable on July 1, 2012.

Series 2005A Bonds and interest rate swap

On January 20, 2005 NHHEFA issued \$65,000,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2005A (2005A Bonds), shown above net of unamortized original issue discount. Proceeds from the 2005A Bonds were used to partially finance construction of student fee-supported facilities on USNH campuses at Durham, Keene and Plymouth. The 2005A Bonds are multi-modal, were initially issued in 35 day variable auction rate mode, were converted to seven day variable auction rate mode in January, 2006, and were subsequently converted to daily variable rate demand bonds in March, 2008. In conjunction with the 2008 conversion, USNH terminated its bond insurance contract and entered into a standby bond purchase agreement. The associated variable interest rates at June 30, 2008 and 2007 were 1.7% and 3.6%, respectively. Principal is due annually through July 1, 2035.

In connection with the issuance of the 2005A Bonds, USNH entered into a floating-to-fixed interest rate swap agreement with a notional amount tied to the outstanding balance of the bonds. The purpose of the swap agreement was to effectively convert the floating variable rate on the 2005A Bonds to an estimated all-in synthetic fixed rate of 3.9% through July 2035, the final maturity date of the underlying bonds. Under the terms of the swap, USNH makes fixed rate interest payments to the swap counterparty and receives a variable rate payment based on 67% of one month LIBOR. The counterparty to this swap agreement filed for bankruptcy in September, 2008. This is a "termination event" under the terms of the agreement which management believes will have no material impact on the financial statements.

Series 2005B Bonds and interest rate swap

On August 1, 2005 NHHEFA issued \$97,360,000 of Refunding Revenue Bonds, University System of New Hampshire Issue, Series 2005B (2005B Bonds), shown above net of unamortized original issue discount. Proceeds from the 2005B Bonds were used to complete an advance refunding in the form of an "in-substance defeasance" of \$87,480,000 of the 2001 Bonds. The proceeds of the 2005B Bonds were placed in an escrow fund and invested in government obligations with scheduled maturities which, when combined with interest thereon, will be used to make required interest and principal payments until the redemption date of the refinanced bonds on July 1, 2011. The 2005B Bonds are multi-modal, were initially issued as seven day variable rate demand bonds, and were subsequently converted to daily variable rate demand bonds in April, 2008. In conjunction with the conversion, USNH terminated its bond insurance contract and entered into a new standby bond purchase agreement. The associated variable interest rates at June 30, 2008 and 2007 were 2.9% and 3.7%, respectively. Principal is due annually through July 1, 2033.

In connection with the issuance of the Series 2005B Bonds, USNH entered into a forward floating-to-fixed interest rate swap agreement with a notional amount tied to the outstanding balance of the bonds. The purpose of the swap agreement was to effectively convert the floating variable rate on the 2005B Bonds to an estimated all-in synthetic fixed rate of 3.5%. USNH makes fixed rate interest payments to the swap counterparty and receives a variable rate payment based on 63% of one month LIBOR plus 29 basis points.

Series 2006A Bonds

On March 2, 2006 NHHEFA issued \$24,350,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2006A (2006A Bonds), shown above net of unamortized original issue discount. Proceeds from the 2006A Bonds are being used to finance the completion of construction of student fee-supported facilities on USNH campuses at Durham, Keene and Plymouth begun with the 2005A Bonds. The 2006A Bonds are multi-modal, were initially issued in seven day variable auction rate mode, and were converted in March, 2008 to a term rate mode at a fixed rate of 3.0% for an initial period of one year. The mode and terms for subsequent periods will be determined based on prevailing market conditions, at the discretion of USNH. The associated variable interest rate at June 30, 2007 was 3.6%. Principal is due annually through July 1, 2036.

Series 2006B Bonds

On March 2, 2006 NHHEFA issued \$120,650,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2006B (2006B Bonds). Proceeds from the 2006B Bonds are being used to finance the completion of construction of student fee-supported facilities on USNH campuses at Durham, Keene and Plymouth begun with the 2005A Bonds. Part of these bonds were remarketed as fixed rate bonds in 2007, and are now known as the Series 2006B-2 Bonds as noted below. The remaining face value of the 2006B Bonds, \$60,050,000, is shown above net of unamortized original issue discount. The 2006B Bonds are multi-modal, were initially issued in seven day variable auction rate mode, and were converted in March, 2008 to a term rate mode at a fixed rate of 3.0% for an initial period of one year. The mode and terms for subsequent periods will be determined based on prevailing market conditions at the discretion of USNH. The associated interest rate at June 30, 2007 was 3.6%. Principal is due annually through July 1, 2036.

Series 2006B-2 Bonds

On January 26, 2007 NHHEFA remarketed \$60,000,000 of University System of New Hampshire Issue, Series 2006B Bonds as the University System of New Hampshire Issue, Series 2006B-2 Bonds (2006B-2 Bonds), changing the variable rate to an all-in fixed rate of 4.1%. The remarketing generated a premium of \$4,046,000, which was a component of debt proceeds held by others for construction purposes at June 30, 2007, and fully expended by June 30, 2008. The premium will be amortized to interest income over the remaining term of the bonds. Principal is due annually through July 1, 2036, with a call date of July 1, 2016.

Series 2007 Bonds

On February 6, 2008 NHHEFA issued \$46,570,000 of Taxable Revenue Bonds, University System of New Hampshire, Series 2007 (2007 Bonds), shown above net of original issue discount. Proceeds from the 2007 Bonds are being used to finance EcoLine, the landfill gas pipeline project designed to provide up to 85% of the UNH Durham campus' heating, cooling and electricity needs with renewable energy. Interest is due semi-annually at a fixed rate of approximately 5.0%. All principal is due upon expiration of the bonds on July 1, 2018.

Capital leases

On April 30, 2004, USNH entered into a capital lease agreement to finance \$18,387,000 of equipment for UNH's utility cogeneration facility. The related lease principal and interest payments are due quarterly through June, 2025 at a fixed interest rate of 4.5%. Other leases relate to various property and capital equipment acquisitions. Terms range from monthly to annual payments over 3 to 20 years, with fixed interest rates between 4.0% and 7.0%.

Long-term debt obligations are scheduled to mature as follows using the associated fixed, estimated synthetic fixed, and expected variable rates in effect as of June 30, 2008 over the remaining term of individual issuances (\$ in thousands):

Fiscal Year	Principal	Interest	Total
2009	\$ 8,575	\$ 17,823	\$ 26,398
2010	12,344	19,433	31,777
2011	12,449	18,672	31,121
2012	13,138	18,335	31,473
2013	13,628	17,538	31,166
2014-2018	73,911	79,083	152,994
2019-2023	130,013	52,979	182,992
2024-2028	72,447	34,205	106,652
2029-2033	76,525	19,913	96,438
2034-2038	49,035	4,699	53,734
	462,065	282,680	744,745
Less: unamortized deferred loss, discount/premium, net	(3,870)	-	(3,870)
Total	\$458,195	\$282,680	\$740,875

Valuation of swaps

The estimated fair value of the interest rate swaps and swaptions associated with the Series 2005B, Series 2005A, and Series 2001 Bonds discussed above was a net liability of \$7,264,000 at June 30, 2008 and a net asset of \$4,057,000 at June 30, 2007. This represents the estimated value of the swap agreements if terminated by USNH, taking into account interest rates at the close of business on June 30, 2008 and 2007. In accordance with governmental accounting standards, this amount is not recorded in the accompanying financial statements.

State of NH general obligation bonds

The state, through acts of its legislature, provides funding for certain major plant facilities on USNH campuses. The state obtains its funds for these construction projects from general obligation bonds, which it issues from time to time. Debt service is funded by the general fund of the state, which is in the custody of the State Treasurer. The state is responsible for all repayments of these bonds in accordance with bond indentures. USNH facilities are not pledged as collateral for these bonds and creditors have no recourse to USNH. Accordingly, the state's debt obligation attributable to USNH's educational and general facilities is not reported as debt of USNH. As construction expenditures are incurred by USNH on state-funded educational and general facilities, amounts are billed to the state and recorded as State of New Hampshire capital appropriations.

9. Commitments and contingencies

USNH is self-insured for a portion of certain risks, including workers' compensation, employee long-term disability, and certain student health insurance claims. The related liabilities recorded in the financial statements are developed by management based upon historical claim data, and in the opinion of management are expected to be sufficient to cover the actual claims incurred. General liability insurance, property insurance, and other insurance coverages provide for large claims incurred. Settlements below the relevant deductible amounts are funded from unrestricted net assets.

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

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

As detailed in Note 8 above, the terms for USNH Series 2006A and 2006B Bonds are not yet determined for periods beyond March 2009. USNH has committed to having same-day available funds of \$83,575,000 on April 1, 2009 to meet bond self-liquidity requirements unless remarketing of the bonds is completed before that date.

10. Net assets

The table below details USNH net assets as of June 30, 2008 and 2007 (\$ in thousands):

	2008	2007
Invested in capital assets, net of related debt	\$432,454	\$410,520
Restricted		
Nonexpendable		
Historic gift value of endowment-campus	63,216	54,031
Historic gift value of endowment-affiliated entities	99,236	91,606
Total restricted nonexpendable net assets	162,452	145,637
Expendable		
Held by campuses:		
Accumulated net gains on endowment	45,833	55,504
Fair value of funds functioning as endowment	13,465	14,449
Gifts, grants and contracts	19,936	18,147
Life income and annuity funds	203	285
Loan funds	6,332	6,197
Held by affiliated entities:		
Accumulated net gains on endowment	24,088	35,762
Other	6,634	7,638
Total restricted expendable net assets	116,491	137,982
Unrestricted		
Held by campuses:		
Current funds		
Educational and general reserves	24,782	27,764
Auxiliary enterprises	24,868	22,726
Internally designated	24,458	24,721
Unrestricted loan funds	1,287	1,283
Unexpended plant funds	60,464	53,167
Fair value of funds functioning as endowment	38,519	25,110
Underwater true endowment funding	(183)	
Unrestricted net assets held by campuses, before postretirement medical liability	174,195	154,771
Unfunded postretirement medical liability	(51,075)	(51,398)
Held by affiliated entities:		
Unrestricted funds functioning as endowment	212	162
Underwater true endowment funding	(500)	
Internally designated	1,645	1,201
Total unrestricted net assets	124,477	104,736
Total net assets	\$835,874	\$798,875

11. Endowment return used for 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 current 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. The return appropriated for spending and administration from the USNH endowment pool was 5.4% and 5.7% of the twelve-quarter moving average of the investments' market value per unit for 2008 and 2007, respectively; and the return appropriated for spending and administration from the UNHF endowment pool was 5.5% and 5.7% of the twelve-quarter moving average of the investments' market value per unit for 2008 and 2007, respectively. Where individual pooled endowment investments had fair values less than the historic gift value as of the beginning of the fiscal year, the distribution was limited to a maximum of the estimated yield (dividends and interest) on the invested assets.

The annual spending formula for endowment return used for operations is designed to provide sustainable continued future support for ongoing programs at current levels assuming moderate inflation. To the extent that endowment yield is insufficient in any one year to meet the required spending distribution, accumulated net gains are utilized to fund the distribution.

The components of endowment return used for operations for 2008 and 2007 are summarized below (\$ in thousands):

	2008	2007
Pooled endowment yield - campuses	\$ 2,775	\$ 2,986
Pooled endowment yield - affiliates	3,198	2,640
Trusts, life income and annuities yield	988	557
Other endowment income, net	-	291
Accumulated gains utilized to fund distribution	4,667	4,250
Endowment return used for operations	\$11,628	\$10,724

12. Unrealized depreciation of operating investments

As part of its ongoing cash management practices, USNH purchased commercial paper investments with the highest possible ratings from Moody's and S&P with a total par value of \$16,605,000 in early August, 2007. The investments were purchased for \$16,544,000 with 30 to 40 days to maturity, and were scheduled to mature on or before September 17, 2007. These commercial paper investments met the requirements of USNH's short-term investment policy as detailed in Note 2. Both investments were downgraded subsequent to purchase by USNH and were placed in receivership. Management has filed a formal complaint against the securities broker with the State of New Hampshire's Bureau of Security Regulation in this regard which is pending resolution.

The underlying assets of both commercial paper issues are primarily sub-prime US mortgages. Under the terms of the respective receiverships, the underlying assets are expected to be sold in the Fall of 2008. Senior creditors, including USNH, are expected to be able to liquidate their holdings for cash or take back a long-term note receivable at terms that have not yet been determined. Management will decide on an appropriate course of action when the full terms and conditions are known.

USNH has applied certain valuation techniques based on publicly available information on the underlying assets. As a result of these calculations USNH has recorded unrealized depreciation of operating investments on the Statement of Revenues, Expenses and Changes in Net Assets of \$9,900,000. This adjustment reduced the investment balance to the estimated fair value of \$6,644,000 at June 30, 2008. These assets are recorded as operating investments since liquidation is expected within the next 12 months.

13. Operating expenses by function

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

	Employee compensation and benefits	Supplies and services	Utilities	Internal allocations	Depreciation	2008 Total	2007 Total
Campuses – current funds							
Instruction	\$167,201	\$ 21,144	\$ 91	\$ 565		\$189,001	\$172,777
Research & sponsored programs	67,517	35,250	30			102,797	101,598
Public service	12,224	5,314	278	2,291		20,107	18,866
Academic support	37,097	14,399	3	(3,776)		47,723	45,265
Student services	20,254	10,174	7			30,435	28,377
Institutional support	35,954	12,497	27	(12,445)		36,033	33,587
Operations & maintenance	24,977	13,676	23,909	(33,049)		29,513	27,207
Auxiliary student services	46,984	39,174	77	46,414		132,649	124,048
Subtotal-current funds	412,208	151,628	24,422	-	-	588,258	551,725
Campuses – other funds	375	10,840	31		\$39,683	50,929	47,113
Affiliated entities	2,840	920				3,760	2,970
Total	\$415,423	\$163,388	\$24,453	\$ -	\$39,683	\$642,947	\$601,808

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

AS OF SEPTEMBER 2008

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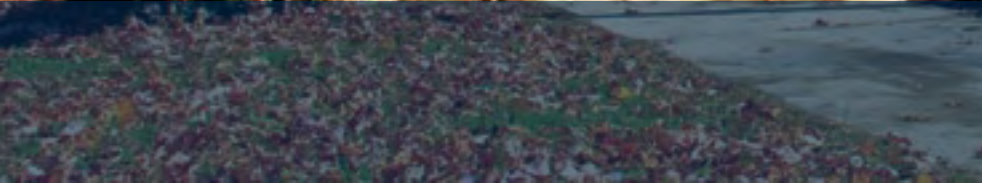
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University System
of New Hampshire 



An Annual \$2 Billion Economic Engine for the State

University System
of New Hampshire 

University of New Hampshire
Plymouth State University
Keene State College
Granite State College

2009 ANNUAL REPORT

MISSION STATEMENT

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

— adopted by the Board of Trustees, October 15, 1988

FY09 HIGHLIGHTS

(FISCAL YEAR ENDING JUNE 30, 2009)

- The annual economic impact of the University System on New Hampshire is about \$2 billion a year according to a 2009 study. Based on the findings, USNH accounts for a greater percentage of the gross domestic product in New Hampshire than the University of Texas System in Texas and Harvard University in Massachusetts, and the University of Massachusetts System.
- To further improve the pathway to earning a four-year degree, USNH and the Community College System of New Hampshire launched NHTransfer, an online database that will help give students a clear understanding of which courses will transfer among participating institutions.
- As a way of assisting lower income New Hampshire residents with the cost of attendance, the USNH Board of Trustees added a fourth year of eligibility to the Affordable College Effort (ACE). ACE awards, when combined with institutional and federal grants and Federal Work Study funds, will cover standard costs for room, board, tuition, and fees for eligible students.
- Dr. Ed MacKay succeeded Dr. Stephen Reno as USNH chancellor on July 1, 2009. Dr. MacKay was named chancellor-elect in the fall of 2008 after serving as vice chancellor and treasurer. Dr. Reno stepped down after nine years and was the longest serving chancellor at USNH.
- Despite significant fiscal challenges, the state legislature provided USNH with level funding for FY10, enabling USNH to keep increases for the cost of attendance consistent with the modest increases over the decade, while supporting a 14 percent increase in funds for institutional financial aid for FY10 as compared to FY09.

The University System of New Hampshire is the state's primary supplier of highly educated citizens and workers. The four institutions of the University System—the University of New Hampshire, Plymouth State University, Keene State College, and Granite State College—annually enroll more than 31,000 students and graduate more than 5,500 students at the associate, bachelor, master, and doctoral levels. The institutions annually award more than half of the state's bachelor's degrees. In addition, about 75,000 alumni of University System institutions currently live in New Hampshire.

Education is the key to New Hampshire's long-term welfare, economic prosperity, and quality of life. More than ever, the potential for each person to succeed—and to prosper—is determined by his or her ability to think, to reason, and to participate fully in all facets of life in a democratic society. Providing these critical educational programs and services through teaching, research, and public service is at the heart of the University System of New Hampshire's mission.



The 2009 Annual Report is a publication of the University System of New Hampshire. Prior year University System Annual Reports are available online at finadmin.usnh.edu

The cover of this report features students and scenic views of Granite State College. Photography Credits: Mark Corliss, Julio Del Sesto, Ann Card, Joseph St. Pierre, Scott Jarvis, Peter Finger, Courtesy of the Pemi Youth Center, Courtesy of Ann-Marie Mallon, UNH Photo Services

The front section of this report is printed on 80# Chorus Art gloss text (30% post consumer waste and FSC certified) and the back section is printed on 70# Astrolite PC 100 text (100% post consumer waste).

University System of New Hampshire, Dunlap Center, 25 Concord Road, Durham, NH 03824, 603-862-0918



Plymouth State University students find many comfortable locations on campus to study.

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Board of Trustees and Administration Inside Back Cover



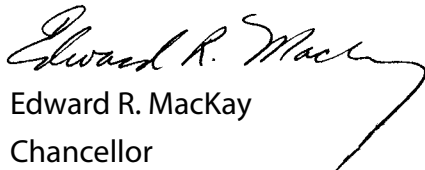
September 2009

Dear Stakeholder:

Public higher education is a true driver of local and state economies. Our institutions are anchors and stabilizing factors as our state and region go through economic cycles. Our primary “products” —educated residents, workers, and business owners—are the foundation of sustained economic recovery, growth, and future competitiveness. This Annual Report provides a financial overview of the University System of New Hampshire (USNH) and highlights some of the findings of a recent analysis of the annual economic impact of the System, an impact that is felt across the state in many direct and indirect ways.

The University System’s priority is to achieve its collective mission of delivering affordable access to programs of quality—programs that span from leading-edge research to public service activities to teaching that creates and inspires successful graduates. We do so through accomplishing the distinct missions for each of our institutions, enabling residents to select opportunities that best meet their needs. Both the global financial environment and economy require states and their public colleges and universities to work together to nurture and expand partnerships that will enable us to achieve these goals, and to do so in the most efficient manner possible so as to keep the enterprise affordable, especially for first-generation students who are such an important constituency for public institutions. We embrace this challenge and opportunity, and as the report documents, are taking the steps necessary to ensure that future success.

It is my hope that you find this information meaningful and that it provides a greater understanding of the many key roles public higher education plays in society today. If you are so inclined, please take the time to let us have your comments and suggestions. Ours is a shared responsibility.


Edward R. MacKay
Chancellor



Jason Beckta '08 received the Enrichment Scholarship and the Winona V. Hubbard Scholarship while attending Keene State. He developed an individualized major in Behavioral Biology and was accepted into several M.D.-Ph.D. programs.

REPORT FROM THE UNIVERSITY SYSTEM OF NEW HAMPSHIRE

Background

The University System of New Hampshire (USNH) includes the University of New Hampshire (UNH) at Durham and Manchester, Plymouth State University (PSU), Keene State College (KSC), Granite State College (GSC), and New Hampshire Public Television (NHPTV). UNH-Durham, PSU, and KSC are the three residential campuses of USNH.

The University System is directed by a 27-member Board of Trustees. Administration of the University System is the responsibility of the chancellor. The chancellor is the chief executive and academic officer of the University System and is responsible for developing, recommending, and implementing the Board of Trustees' policies and decisions.

The University of New Hampshire

UNH is a land-, sea-, space-grant and community-engaged public research university, enrolling more than 13,000 undergraduates and 2,800 graduate students. Recognized as a rising star among research universities, UNH retains the atmosphere of a New England liberal arts college with a faculty dedicated to undergraduate teaching and research. Its commitment to engagement and public service serves not only the Granite State, through its many outreach offices such as Cooperative Extension, but nationally and internationally through its public policy expertise in areas as diverse as crimes against children, ocean fisheries management, and rural poverty.

Plymouth State University

PSU is a regional comprehensive university with an established reputation for high academic standards. PSU offers bachelor's degrees in more than forty-five majors and sixty minors, and master's degrees in more than seventy concentrations in a rich, student-focused learning environment for its nearly 7,000 undergraduate and graduate students. In 2008, the state legislature approved doctoral authority for PSU and the first

cohort of its Doctor of Education in Learning, Leadership, and Community program will begin in fall 2009.

The PSU motto is *Ut Prosim* (That I may serve) and the students, faculty, and staff engage communities on a local, regional, national, and international scale in ways that are relevant and practical, as well as mutually beneficial.

Keene State College

KSC celebrated its centennial in 2009 as a dynamic public liberal arts college offering forty majors in the arts and sciences, professional programs, and selected graduate degrees. With more than 5,500 students, Keene State focuses on the undergraduate experience with strong academic programs and a tradition of small classes, faculty-student collaborative research, and spirited inquiry. The faculty will soon be joined by two new scholars who will occupy endowed chairs in Chemistry and Holocaust and Genocide Studies. Rich and varied co-curricular experiences—such as service learning—promote lifelong learning, career attainment, and personal development. Partnerships with area businesses, alumni, and nonprofit organizations provide internships, funding, research opportunities, and other mutually beneficial connections for both college and community.

Granite State College

GSC is New Hampshire's public college for adult learners of all ages. Since 1972, GSC has provided statewide access to higher education to more than 50,000 students—online and at nine community-based academic centers. Flexible bachelor's and associate's degrees, as well as post-baccalaureate teacher certification programs, meet the needs of both employers and working adults. Known for its small classes, affordable tuition, and supportive faculty, GSC has taken a leading role in offering innovative online degree programs.

AN ANNUAL \$2 BILLION ECONOMIC ENGINE FOR THE STATE

Economic news relating to the global economic downturn will be a prominent feature in almost every annual report that is produced for organizations across every industry. New Hampshire was certainly not immune to this downturn, nor was the University System of New Hampshire. However, higher education can be, and often is, an economic stabilizer in weaker economic times because of the positive and consistent impact it has in terms of its ability to generate revenue, produce skilled workers, and support campus communities and local economies.

During FY09, USNH worked to quantify the positive impact it has as one way to demonstrate the value of a high quality public university system in terms of its role as an economic engine for the state. The FY09 Annual Report opens with an overview of the findings of this study and the overall \$2 billion impact USNH makes in New Hampshire each year.

In terms of overall population, New Hampshire ranks 41st out of the 50 states with just over 1.3 million residents, according to 2008 U.S. Census Bureau data. Despite its small population and physical size, Census Bureau data also shows that the residents of New Hampshire are among the nation's most educated, with the fourth highest percentage holding at least a bachelor's degree. As a result, per capita income is the eighth highest nationally, demonstrating that intellectual capital is an essential economic driver for the state.

Having an accessible, robust state university system clearly benefits the residents of New Hampshire. The more than 31,000 students who enroll at USNH institutions annually are well aware that those who earn four-year degrees will enable them to, on average, earn over \$1 million more over their working lives than those who do not continue their education after high school.

Currently, the four USNH institutions award over 50 percent of the four-year baccalaureate degrees in the state each year and

more than 70 percent of the degrees in education, engineering, and liberal arts and science. Slightly over half of these graduates remain and work in New Hampshire, while many others who initially leave the state eventually return and contribute to the economy later in their lives and careers. The economic impact of these graduates and of the institutions themselves is significant, accounting for nearly 4 percent of the state's \$51 billion gross state product.

A study of the economic influence of all four institutions completed during FY09 concluded that USNH's overall annual impact on the state is about \$2 billion. Of this total, \$1.1 billion is through its expenditures, employment, and revenue generation through personal employee and student expenditures, and over \$890 million is through the skilled workers that graduate annually and remain in the state. The study was conducted for USNH by Dr. Ross Gittell, a professor with the University of New Hampshire's Whittemore School of Business and Economics.

Some additional conclusions from the research included the following:

- USNH institutions are anchors and stabilizing forces in the New Hampshire economy.
- Unemployment rates of college graduates are less than one-half of the overall rate.
- The economic impact of USNH institutions is deep (economically significant) as well as wide (across the state).
- USNH's main product—educated residents, workers, and business owners—is the foundation of the state's economic recovery and future economic competitiveness.
- USNH institutions provide a consistently high return on investment for the state and its residents.



Keene State College students gather at Fiske Quad to take part in the 2009 commencement ceremonies.

In addition to economic data, the report also included results from a survey of the state's business community. The survey was designed to determine the perceived economic importance of USNH to corporations in the state. Some highlights include:

- Over three-quarters of the company responders said that USNH institutions played an important role in providing their companies with access to a skilled workforce.
- One-quarter of companies responding had ten or more graduates from the University of New Hampshire as employees.
- Over 40 percent hired at least one graduate from a USNH institution last year.
- Over one-third had an intern from a USNH institution in the past year.
- In a separate survey of 600 UNH alumni in the state, 20 percent indicated that they owned a business in New Hampshire.

In summary, USNH plays a key role in advancing and supporting the state's economy. When comparing the relative impact through its expenditures, employment, and revenue generation, USNH accounts for a greater percentage of the gross domestic product than the University of Texas System in Texas, Harvard University in Massachusetts, and the University of Massachusetts.

Supporting the USNH Fourfold Vision

Beyond economic issues, this annual report cites several other actions and accomplishments that support our fourfold vision, which is to be:

1. Truly student oriented
2. Committed to excellence in selected programs and services
3. Efficient and effective in the use of resources
4. Recognized as the partner of choice

This report looks back over the 2008-09 fiscal year (FY09) to review how these accomplishments have impacted the state, and provides a detailed overview of key financial data from FY09. These accomplishments are described in the next section of the report under each component of this vision.

1. New Hampshire's University System is Student Oriented

While the four USNH institutions have unique missions, they focus on a core commitment to students and student learning. USNH serves the higher educational needs of the people of New Hampshire and recognizes its responsibility to regularly evaluate those needs, institutional offerings, and how and where programming is delivered.

NHTransfer – Recognizing the need to make the pathway to earning a college degree as simple as possible, USNH and the Community College System of New Hampshire (CCSNH) launched a transfer credit database in January 2009. This database gives students a clear understanding of which courses transfer among participating institutions. The new

service can be accessed for free at www.NHTransfer.org. It provides an accurate and current profile of the transfer credit practices among the seven community colleges as well as the six participating baccalaureate institutions, including the four USNH institutions.



While the NHTransfer website has been in place since 2004 and the two public higher education systems have continually improved transfer procedures over the past few years, the new web-based system represents a major step forward. Modeled after systems in Maryland and New Jersey, this new articulation system enables prospective and current students to obtain detailed information about transferring between participating two- and four-year colleges and universities, including course-to-course equivalencies, general education requirements, and recommended transfer programs for many majors at the four-year institutions.

In May 2000, when the Undergraduate Research Conference (URC) began at the **University of New Hampshire**, 159 students from twenty-nine majors participated. The 2009 spring conference boasted more than 850 students representing more than seventy-three majors. URC at UNH is one of the largest, most diverse, and most successful undergraduate research conferences in the country because of the quality of the research being done on campus. The annual conference has become a university-wide celebration of academic success.

UNH's Whittemore School of Business and Economics had so many students presenting their research (more than 100) in 2008 that the school began running its own day-long symposium in 2009. UNH Manchester has also joined the conference.



Poster presentations at the UNH Undergraduate Research Conference parents' breakfast and symposium, April 2009.

A key to its success is the opportunity for students to develop one-on-one relationships with a professor. Faculty who mentor undergraduates have increased from a first-year total of 83 to more than 230 today. Surveys of students who have participated in URC repeatedly mention faculty support as the most memorable part of their experience.

The Affordable College Effort – In June 2009, the USNH Board of Trustees approved an expansion of the Affordable College Effort (ACE) by adding a fourth year of eligibility beginning in the fall of 2009. ACE enables New Hampshire residents with significant financial need to attend one of the USNH institutions for the full four years without incurring debt for basic college costs. While there are significant financial pressures on the USNH budget as a result of the economic downturn, ACE is viewed as an investment in New Hampshire's future by the USNH Board and the fourth year of eligibility was added as part of the FY10 budget.

ACE Awards were established in 2005 and assist New Hampshire residents who are attending USNH institutions within one year of graduating from high school as full-time freshmen and with



Affordable College Effort

an expected family contribution of \$1,000 or less. Combined with other grants, institutional aid, and Federal Work Study funds,

eligible students have all of their direct costs of attendance (standard tuition, fees, room and board) covered.

In three years of operation, 587 ACE awards have been made to 406 eligible students at Keene State College, Plymouth State University, and the University of New Hampshire.

Plymouth State University's Small Business Institute – PSU's Small Business Institute gives MBA students a chance to serve local small businesses as members of consulting teams, earning elective course credits in the process. Working with a business faculty member, SBI teams visit their client companies, define the scope of their projects, execute the tasks they agree to complete for their clients, then prepare and present a formal professional quality report. According to one SBI client, it would have cost his company upwards of \$500,000 to have a consultant produce the report that the SBI students presented.

Keene State College Honors Students Travel to South Africa and Peru for Research and Service – Sophomores in KSC's Honors Program completed two-week travel-study courses during the 2009 spring semester, accompanied by faculty and staff. In South Africa, students conducted research, interviewed local residents, and experienced a new culture and geography. They used Twitter to communicate with classmates at home, often with vivid details about their experiences. "After seeing the conditions of the Imizamo Yethu township, giving our lunches away felt like a drop in the bucket," a student wrote from Cape Town. A second cohort of Honors students traveled to Peru, staying with families in Urubamba, a town in an area of the

Andes Mountains often called the Inca's Sacred Valley. There, students helped construct and install basic stoves and water filtration systems for local families.

Granite State College Statistically Significant in the North Country – GSC students in Dr. Michelle Capozzoli's Introduction to Statistics course in Conway learned what it is like to be a statistician. GSC Conway Regional Center and the Mount Washington Valley Chamber of Commerce (MWVCC) teamed up to offer GSC students a project-based learning experience beginning in the fall of 2008.

For the past year, the MWVCC has been working on the implementation of a statistical study that would evaluate and track the economic and commercial health of the Mt. Washington Valley. Part of the analyses entailed conducting a demographic study to determine the lodging property population and the number of rental units in the valley. Students in the course constructed a database of the lodging properties which was subsequently analyzed, the results of which were presented to the MWVCC Lodging Committee in April 2009. This collaboration carries on GSC's tradition of engaging students and community in project-based learning.

2. The University System Delivers Excellence in Selected Programs

USNH institutions are distinct, yet complementary in their missions, purposes, and offerings. Each institution brings a



Keene State Honors students visited Soweto, outside Johannesburg, South Africa. At the heart of the historic struggle against apartheid, Soweto is the most populous black urban residential area in the country.

unique set of talents and expertise to its students, the state, and beyond. Together, they meet a full spectrum of higher educational needs while being recognized individually for excellence in select areas.

In the fall of 2008, the **University of New Hampshire** launched a groundbreaking EcoGastronomy program that takes students to the field, the kitchen, the lab and Italy to study the complexities of sustainable food systems. The EcoGastronomy dual major is the first such program at any U.S. university, a one-of-a-kind learning experience that links together the fields of sustainable agriculture, hospitality, and nutrition.

Depending on their primary majors, EcoGastronomy graduates might work within food service, catering or the restaurant industry; manage or own a farm, greenhouse or nursery; teach or write about food-related issues; or be involved in wholesale and retail marketing, food policy, or nutrition and health assessment.

UNH hospitality management students who want to graduate with an edge are interested in the dual major in EcoGastronomy because it sets them apart in a competitive industry that is becoming more sustainably aware. The new EcoGastronomy program represents UNH's core academic principles, including applying intellectual resources to today's issues and helping students to develop the critical thinking and interdisciplinary knowledge they will need in their professional and civil lives.

Ut Prosim (That I may serve), is a school motto that **Plymouth State University** students embrace and exemplify by committing thousands of hours of their time to service each semester.

In 2008, PSU earned a spot on President Bush's Higher Education Community Service Honor Roll "With Distinction" for exemplary service efforts and service to America's communities—only one of 83 schools nationwide to achieve this level of recognition.

PSU Volunteers—a community service and volunteer-based student run organization—is well known in the community and is one of the first to be called when organizations are looking for young and energetic volunteers.

PSU students are regular contributors to programs like the Pemi Youth Center; the Festival of Trees; Habitat for Humanity; the New Hampshire Humane Society; the Rachel Carson National Wildlife Refuge; the Walk to Fight Cancer; the March of Dimes Walk; Global Youth Service Day; Hunger and Homelessness; local food drives; the Keep the Heat On project; and Walk a Mile in Her Shoes.

Two new baccalaureate programs will be offered to **Keene State College** students in fall 2009: Holocaust and Genocide Studies, and Sustainable Product Design and Innovation. Holocaust and Genocide Studies, an interdisciplinary major, combines historical study with exploration of the Holocaust and other genocidal events, incorporating film, literature, philosophy, psychology, sociology, religious studies, women's studies, and other offerings. Students master the skills to think critically about ethical responsibility, analyze contemporary political situations, and respond to injustice. Graduates will be prepared for careers in social and governmental service, for graduate study in history, and other postgraduate work such as law.

Ut Prosim: "That I may serve." Each semester, hundreds of Plymouth State University students commit thousands of hours of their time, and by doing so embrace and exemplify the school motto.



Sustainable Product Design and Innovation is a four-year, pre-professional curriculum that integrates the social and scientific aspects of sustainability concerns into the current Product Design and Development option in Technology Studies. The new major draws on five disciplines: art, management, mathematics, safety, and industrial/product design. It prepares students for engagement in the new "lean and green" global economy.

OLLI at **Granite State College** is moving and shaking in the North Country. GSC started OLLI (the Osher Lifelong Learning Institute) in Conway in the fall of 2008 with 73 new members, and by spring 2009, the membership grew to 140 members. OLLI's programs are designed for adults 50 or over who love learning for the fun of it. Typical classes include: Knitting, Bowling, eBay, Salem Witch Trials, Financial Planning, Digital Photography, Virtual Trip to Mt. Washington Observatory, Spontaneous Cooking, From Tin Pan Alley to Broadway, and many more. Most of the classes are held during the day at the GSC Conway Center/Tech Village. Classes are also offered in the Mt. Washington Valley.

3. The University System Directs Its Operations Efficiently and Effectively

USNH has a long history of strong fiscal management that has resulted in stable bond ratings. USNH institutions have managed to maintain educational quality while operating at a lower cost than their peer institutions. UNH, for example, educates students at approximately 16 percent less in terms of overall costs as compared to peer institutions. This effort is continuous and in FY09, the Financial Affairs Committee of the USNH Board of Trustees focused its work plan on a close examination of cost containment and revenue enhancement opportunities over the next five years. The Committee conducted a series of facilitated work sessions that focused on enhancing net tuition and maximizing enrollment; fundraising; and grants, research and intellectual property.



Granite State College's Conway Center, located in the Tech Village.

Ed MacKay Succeeds Stephen Reno as USNH Chancellor

The USNH Board of Trustees named Dr. Edward R. MacKay chancellor-elect in October 2008. MacKay, who was the USNH vice chancellor and treasurer at the time, succeeded Dr. Stephen Reno as chancellor on July 1, 2009. With his three decades of leadership in higher education and a national reputation in public higher education finance and management, MacKay's appointment was approved unanimously.

Dr. MacKay served as treasurer since 2000, vice chancellor since 1987, and in senior capacities in budgeting and financial planning with USNH since 1979. He has served on many prominent state and national boards and is currently chair of the commission responsible for creation and oversight of the State of New Hampshire UNIQUE College Investing ("529") Program. Other recent activities include chair from 2006 to 2008 of the New Hampshire Higher Education Loan Corporation, the state's largest provider of student loans; and a member of the 2007 commission appointed to recommend changes to ensure the long term viability of the New Hampshire Retirement System.

During FY09, the State of New Hampshire grappled with how to close a significant deficit for the fiscal year while it worked toward establishing a biennial budget for FY10 and FY11. While USNH offered to return \$7 million to the state to address its budget gap in FY09, the System was level-funded for FY10 and FY11. The state support is in recognition that public higher education serve as an engine for economic and workforce development. In conjunction with the budget process and the impact of the economic downturn on state revenues and the economy, the work of the Financial Affairs Committee and the entire Board in relation to fiscal management and revenue was invaluable. USNH institutions recommitted themselves to reviewing operations and making additional changes that could further increase educational quality while reducing costs.

Operating Budget – In June 2009, the USNH Board of Trustees voted to approve an operating budget for FY10 that included a 14 percent increase for institutional financial aid to help keep the cost of attendance as low as possible for New Hampshire students. The total direct cost of attendance for full-time undergraduate students will increase 4.6 percent to 6.2 percent across the campuses for the fall of 2009. The approved budget represents a 2.6 percent educational and general spending increase above the FY09 level, not including financial aid. The budget includes level funding of \$100 million in state appropriations.

In what was called the most sustainable commencement in its history, UNH graduated the Class of 2009 on May 23, 2009, during a ceremony powered by garbage. UNH will be the first university in the country to receive the majority of its power from landfill gas. UNH President Mark Huddleston officially launched ECOLine through a live transmission from Waste Management's Turnkey landfill shortly before some 2,200 students received their diplomas at the 139th UNH commencement.



University of New Hampshire's ECOLine™ Powers Up – More than four years in the making, ECOLine, the University of New Hampshire's landfill gas-to-energy project that uses purified methane gas from a nearby landfill to power the campus, is complete. The five million square-foot campus will receive up to 85 percent of its electricity and heat from purified natural gas, making UNH the first university in the nation to use landfill gas as its primary fuel source. ECOLine is expected to reduce UNH's dependence on fossil fuels and stabilize its fuel source and costs, showcasing UNH's fiscal and environmental responsibility.

ECOLine is a partnership with Waste Management's Turnkey Recycling and Environmental Enterprise (TREE) in Rochester, where the naturally occurring by-product of landfill decomposition is gathered via a state-of-the-art system consisting of more than 300 extraction wells and miles of collection pipes.

After the gas is purified and compressed at a new UNH processing plant at TREE, it travels through a 12.7-mile pipeline from the landfill to UNH's cogeneration plant, where it will replace commercial natural gas as the primary fuel source. In operation since 2006, UNH's cogeneration plant captures waste heat normally lost during the production of electricity and uses this energy to heat and cool campus buildings.

UNH will sell renewable energy certificates generated by using landfill gas through 2012 to help finance the overall \$49 million cost of the project and to invest in additional energy efficiency projects on campus. In addition, UNH will sell power in excess of campus needs back to the electric grid.

PSU Goes Trayless and Saves 35 Tons of Food – Sometimes the little things can make a big difference, like PSU's decision to go trayless in Prospect Hall, the central campus dining facility.

Going trayless in the dining hall means the students carry food on plates only, rather than using trays which can encourage taking more food than needed. The hope was to reduce waste and save unnecessary costs while educating the student body about making smarter and healthier food choices in the dining hall.

When compared to the previous two semesters using trays, PSU determined the average meal cost of the approximate 500,000 meals served was reduced from \$2.61 to \$2.40, a savings of more than \$110,000. When other cost factors like electricity, propane, water, sewer and chemicals are factored in for food preparation, dishwashing and disposal, the total annual cost savings from going trayless adds up to \$160,000.

Additional benefits include less waste going to the landfill and a reduction of 35 tons of food that was previously thrown out; less dishware breakage; and fewer food deliveries to campus, thereby helping to lower PSU's carbon footprint.

Keene State Builds New Cogeneration Steam Plant – In FY09, KSC replaced its central heating plant, which was nearly 100 years old, razing its 86-foot brick chimney (the bricks were then recycled into road base) and constructing a new cogeneration steam plant. The two new boilers have high-efficiency burners, which increase steam output with virtually no waste. In addition to providing heat, the steam turns a turbine that provides some of the electricity needs of the campus. The new steam plant is expected to save more than \$120,000 a year in energy costs and reduce carbon dioxide emissions by 500 metric tons.

NHPTV Turns 50 and Changes Its Structure – New Hampshire Public Television hit two milestones recently as the organization became a wholly-owned subsidiary of USNH and celebrated its 50th anniversary. In February 2008, the USNH Board of Trustees approved a plan to transition NHPTV from an operating unit of the University of New Hampshire to a non-profit, section 501(c)3, NH corporation and subsidiary of USNH. The new corporation, New Hampshire Public Broadcasting (NHPB), was incorporated on September 25, 2008.



President Mark W. Huddleston took a unique approach to his installation as the 19th president of UNH September 16, 2008, choosing to highlight the university's efforts around sustainability and resourcefulness. This effort was highlighted on the Reuters billboard in Times Square. The installation ceremony was rolled into the larger, annual celebration of University Day to reduce the event's carbon footprint and save money.

Ed MacKay Receives "Distinguished Business Officer Award" – In June 2009, just prior to becoming the sixth chancellor of USNH, Dr. Ed MacKay received the Distinguished Business Officer Award from the National Association of College and University Business Officers (NACUBO). This award is the highest individual honor bestowed by the Association. The NACUBO Awards program identifies and encourages individual excellence and innovation in the management of college and university business and financial affairs. Nominations are accepted year-round, with the selection process held annually in the spring. The Distinguished Business Officer Award is given to individuals who, during the course of their careers, have made outstanding contributions to business and financial management in higher education.



The iconic Rouns Hall clock tower shines brightly at dusk on the Plymouth State University campus.

In late 2008, the NHPB Board of Directors adopted bylaws, financial and human resources policies, and established a new employee benefits program. On January 1, 2009, the employees of the UNH operating unit known as NHPTV were transferred to NHPB. The NHPTV name will remain as the brand of the organization, since it is highly recognized across the region it has served for 50 years.

NHPTV (originally known as the New Hampshire Network, and then Channel 11) began broadcasting in 1959 via a 51-kilowatt transmitter in black and white. In 1968, NHPTV went from local to national, becoming part of the Public Broadcasting System (PBS). Over the decades, NHPTV has presented an array of popular award-winning PBS programs as well as its own programs and stories that focus on New Hampshire and the larger region it reaches. NHPTV also provides instructional services for 206,000 students from kindergarten through high school; offers Ready to Learn programs and services for children from preschool to age eight, parents, and early education professionals; and provides professional development programs and advanced technology training for educators in New Hampshire and neighboring states.

4. The University System Is Recognized as a Partner of Choice by Others

USNH recognizes that in order to fulfill its mission, the institutions and the system as a whole must be engaged in its communities and with its many constituencies to provide the best service possible.

Each institution can cite many collaborative efforts on the local, statewide, and even national levels where these partnerships create significant benefits to those who are served. From relatively new uses of technology and innovations in sustainability, to health care, lifelong learning, and economic development, these collaborations truly demonstrate why USNH and its institutions are partners of choice.

USNH Effort to Encourage More Graduates to Remain in the State Gains Momentum – Stay Work Play NH, Inc. was established as a nonprofit organization in spring 2009 to expose more young people to the advantages of remaining in or returning to New Hampshire. The overall effort builds from the work of USNH and partnering organizations that established the

USNH Student Costs

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average Annual Rate of Growth
Tuition, room, board, and mandatory fees											
NH Resident -											
UNH at Durham	\$ 12,549	13,207	14,012	15,698	16,638	17,610	18,785	20,038	21,152	22,417	6.0%
PSU	10,520	11,024	11,625	12,298	12,962	13,808	14,536	15,974	17,274	18,078	6.2%
KSC	10,400	10,819	11,572	12,458	13,131	14,082	15,095	16,018	16,834	17,778	5.9%
Nonresident -											
UNH at Durham	21,619	22,627	23,712	26,058	27,668	29,330	31,235	32,998	34,632	36,387	5.6%
PSU	15,830	16,524	17,285	18,348	19,402	20,648	21,806	23,524	25,124	26,248	5.8%
KSC	15,710	16,319	17,232	18,508	19,571	20,922	22,365	23,568	24,484	25,948	5.6%
									Average Increase		5.8%

Costs reflect tuition, mandatory fees, double room, and maximum meal plan. Average annual increases have been adjusted to account for the conversion from the "19 meal plan" to the "maximum" meal plan option, beginning in 2004 for UNH and KSC and 2005 for PSU.

55% Initiative in 2007. This effort set a goal of encouraging at least 55% of new graduates to stay in the state compared to the approximately 50% who currently stay.

Stay Work Play NH, Inc. will support and advance several recommendations made by the Governor's Task Force on Young Worker Retention in the spring of 2009, and serve as an independent organization running a website and associated marketing effort geared to providing comprehensive information on what New Hampshire can offer to the 20- to 30-year-old demographic in terms of staying, working, and playing in the state.

The organization was incorporated by the heads of five prominent statewide organizations: USNH; the NH College and University Council; the Business and Industry Association of NH; the NH High Technology Council; and the NH Department of Resources and Economic Development. It is governed by a Board of Directors that includes representation from the five incorporating organizations, several of the state's young professionals' networks, and the Task Force on Young Worker Retention.

USNH Board of Trustees Endorse Merger Talks Between UNH and Franklin Pierce Law Center – The USNH Board of Trustees endorsed a recommendation from UNH President Mark Huddleston to consider a merger with Franklin Pierce Law Center in Concord. If it comes to fruition, the merger would add a law school to the University's existing schools and colleges, while being cost neutral.

In early 2008, the Concord law school approached UNH with the idea of merging to help Franklin Pierce Law Center reach its goal of becoming a Top 100 law school. Franklin Pierce is ranked as a third-tier school by *U.S. News & World Report* but is in the top 10 in intellectual property law. It has 480 students, 80 of whom are New Hampshire residents.

Working groups from both institutions were appointed in October 2008 to explore the possibility of a merger. In its recommendation to President Huddleston, the UNH group stated the move would provide a unique opportunity that would be very beneficial to UNH in many ways.



Each year between 50 and 70 PSU student volunteers and work study students work at the Pemi Youth Center in Plymouth. These students are responsible for the supervision of local youth during the afterschool program and they serve as wonderful role models.

Plymouth State University Leads By Example – PSU serves its region through collaborations that make New Hampshire a better place to live and work while providing additional opportunities for students to participate in active, hands-on learning. Some examples follow:

- The Center for Rural Partnerships received funds from the Neil and Louise Tillotson Fund of the New Hampshire Charitable Foundation to create North Country partnerships.
- Professor Dan Perkins (Music, Theatre, and Dance) brought the Hanover Chamber Orchestra to Lancaster and, with PSU students, provided music education programming for public schools.
- Professor Catherine Amidon (Art), director of the Karl Drerup Gallery, is working with a Berlin community art center on an exhibit of the historical photo collection *Beyond Brown Paper*.
- Professor Mark Okrant (Social Science), director of the Institute for New Hampshire Studies, and a team of tourism management students are crafting a marketing plan with a North Stratford inn and related area businesses.
- The Center for Active Living and Healthy Communities, with PSU students, is collaborating with Plymouth residents on a pilot research study to determine the opportunities for and obstacles to healthy outdoor living in the community.



The UNH InterOperability Laboratory (UNH-IOL), the only tech lab and test house owned by academia yet driven by the computer networking industries it serves, celebrated 20 years of operation. Since its inception, the UNH-IOL has been a one-of-a-kind, hybrid industry and academic technology and testing lab that offers paid training in leading-edge and popular technologies with the opportunity to work with professional engineers in their future field of employment.

Keene State's year-long centennial celebration culminated in a gala celebration on campus on April 15, 2009, with music, toasts, a birthday cake that fed nearly 2,000, and a memorable fireworks display. Earlier that day, Governor John Lynch signed a proclamation at the State Capitol noting the 100th anniversary of the chartering of the college, and students, staff, and alumni hand-carried the proclamation back to campus in an all-day relay.



Keene State College Receives Honors with Distinction for Service and Engagement –

For the second year, Keene State received the Honors with Distinction designation on President Bush's Higher Education Community Service Honor Roll. This award is the highest recognition an institution can receive for its commitment to service learning and civic engagement. The award recognizes exemplary, innovative, and effective community service programs. Keene State was commended for its participation in Adopt a Grandparent, Alternative Spring Break, America Reads, Communicorps, Early Sprouts, Big Brothers/Big Sisters, College for Every Student, and several other programs.

Granite State College Forges Formal Relationships with Area Institutions –

GSC built formal relationships with Great Bay Community College, Manchester Community College, River Valley Community College, Plymouth State University and Keene State College to create a seamless pathway for students interested in a career in education. Participants will be able to earn an associate's degree, bachelor's degree, teacher certification and ultimately a master's degree at the most affordable rates in New Hampshire. Negotiations are ongoing with four additional community colleges. Granite State College's Office of Education Programs also piloted a curriculum with seven school districts in the North Country to prepare teachers in critically needed Advanced Endorsements in Learning Disabilities, Emotional/Behavioral Disorders and/or Intellectual & Developmental Disabilities. This program will be expanded to additional regions of the state.

Keene State College Community Rallies to Support Student Financial Needs –

The Keene State community showed its generosity and its commitment when alumni, faculty and staff, and friends stepped up to support the Student Financial Aid Initiative. In the spring of 2009, it became apparent that financial hardship was making it difficult for many new and continuing students to pursue their education. The Development Office, working closely with Student Financial Services, asked alumni, friends, and the campus community to consider a gift to an emergency financial aid fund, with a goal of raising \$100,000. Gifts and confirmed pledges quickly topped \$180,000, and efforts continued into the summer as the college received a higher-than-usual number of appeals based on changing family economic circumstances.

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 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 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 provide reasonable assurance 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. Management seeks to continually improve internal controls, given costs thereof and management's assessment of the probability and potential consequences of future events. 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 Audit Committee of the Board of Trustees is responsible for overseeing USNH's financial reporting process and internal control systems, as well as 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 Audit Committee, the voting members of which are solely outside trustees, meets at least three times per year and at the request of the Director of Internal Audit. Both internal and external auditors have unencumbered access to the Audit 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 46 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 auditor's opinion on the 2009 financial statements, is reproduced on the following page.



Kenneth B. Cody
Vice Chancellor for Financial Affairs
and Treasurer/CFO



Carol A. Mitchell
Controller



PricewaterhouseCoopers LLP
125 High Street
Boston MA 02110
Telephone (617) 530 5000
Facsimile (617) 530 5001

Report of Independent Auditors

To the 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 consolidated statements of net assets and the related consolidated 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, 2009 and 2008, and its consolidated 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 opinions.

The Management's Discussion and Analysis on pages 15 through 22 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

August 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. Introduction

The following unaudited Management's Discussion and Analysis 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, 2009. This analysis provides a comparison of significant amounts and measures to prior periods and, where appropriate, presents management's outlook for the future.

The University System of New Hampshire is a Section 501(c)(3) corporation organized under the laws of the State of New Hampshire to serve the people of the state as the premier public provider of higher education, research and public service. USNH accomplishes its mission 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, with campuses in Durham (UNH) and Manchester (UNHM); Plymouth State University (PSU); Keene State College (KSC); and Granite State College (GSC). While USNH performs public service and conducts scholarly research across the globe, most of USNH's activities take place at the three residential campuses (UNH, PSU and KSC), the urban campus (UNHM), the nine regional sites of GSC, and the multiple Cooperative Extension and Small Business Development Centers located throughout New Hampshire. The accompanying financial statements also include the activities and balances of the state's only public television station, New Hampshire Public Broadcasting (NHPB); the University of New Hampshire Foundation, Inc. (UNHF); and the Keene Endowment Association (KEA) - three legally separate but affiliated entities.

The macro-economic conditions have been a major concern for USNH over the past year. Because of its risk management, diversification, and financial flexibility, USNH has to date successfully managed through the credit crisis, economic downturn and decline in the financial markets. While 2009 yielded many successes, USNH will continue to manage diligently to preserve its financial strength during the expected challenges in 2010 and 2011. The actions and results of 2009, and the challenges for 2010 and beyond, are detailed below.

II. Financial Highlights and Economic Outlook

A. Revenue Diversification

Management considers revenue diversification key to building a financially healthy institution capable of sustainable success. Chart 1 below shows revenue diversification in 2009, while Chart 2 shows these same revenues broken down by institution.

Net tuition and fees revenue increased 6.8% over 2008. While the state operating appropriation was only 12.5% of total 2009 revenues, it is a dependable revenue source, enabling USNH to perform effective long-term strategic planning and manage resources efficiently. As shown on Chart 3 on the following page, USNH general appropriations have not decreased in any of the past 25 years. With the addition of \$3 million in federal stimulus funding in 2010, state general appropriations are expected to be level-funded at \$100 million per year over the next biennium.

Enrollments at USNH institutions continued to grow in 2009. Since the fall of 2004, credit enrollments at USNH have increased 7.1%, or 1,756 FTE students, including increases of 1,061 resident students and 695 nonresident students (see Table 1). Approximately 54% of UNH new students in the fall of 2008 ranked in the top 20% of their high school class, up from 48% in 2004. As seen in Table 2, there has been a 35% growth in annual applications to UNH over the past four years and the acceptance rate has been reduced from 69% to 65% of applications over the same period, increasing selectivity. The combined SAT scores for new UNH students averaged 1,115 in fiscal year 2009. UNH will also add a short semester during the 2009-2010 winter break, and all campuses plan to expand online courses to enhance net tuition revenue.

Grant revenues had limited growth in 2009, up less than 1% over 2008. The ten-year record of UNH competitively-won research and other sponsored programs shows the volatility of recent award

2009 Revenues = \$803 Million

(not including capital additions/deductions)
(shown here at gross amounts, not netted for student financial aid)
(\$ in millions)

Chart 1: Diversification of 2009 Revenues

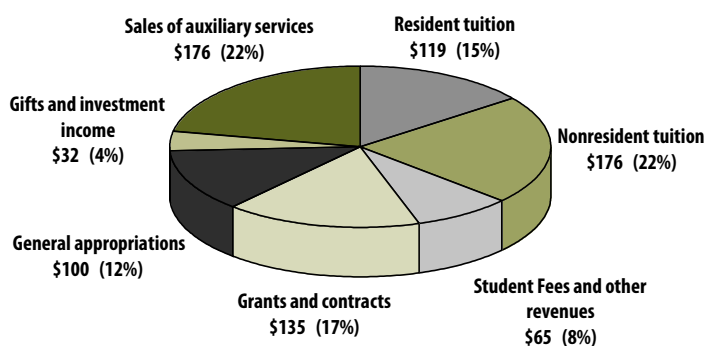


Chart 2: 2009 Revenues by Institution

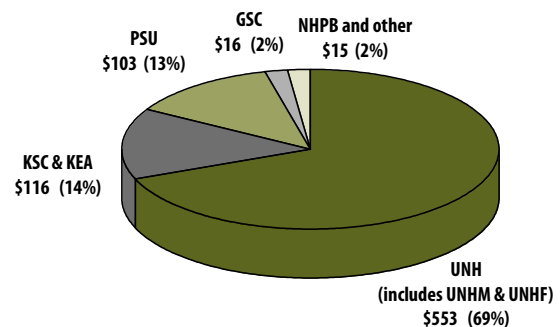
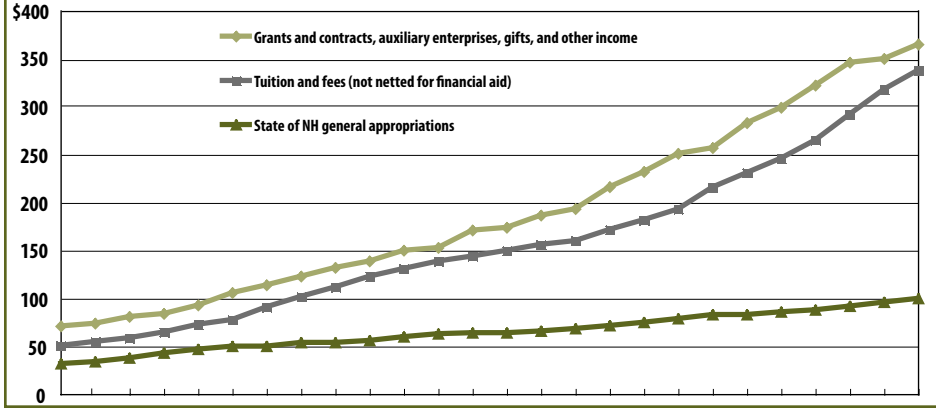


Chart 3: Twenty-Five Year Revenue Comparison
(not including capital additions/deductions)
(\$ in millions)



volumes (see Chart 4). Sponsors of UNH awards include the US government, the state, non-profits and the commercial sector. During 2009 UNH received \$1.9 million in Federal stimulus awards for transportation initiatives. In addition, stimulus grant proposals submitted exceed \$100 million System-wide with the most significant item (approximately \$60 million) proposed in conjunction with the New Hampshire Department of Resources and Economic Development for telecommunication network improvements in underserved regions of the state.

Facilities and administrative cost recoveries on grants and contracts totaled approximately \$18.5 million USNH-wide for the year ended June 30, 2009, down \$1 million from 2008. This unrestricted revenue stream is used to support USNH infrastructure. UNH submitted its latest Federal facilities and administrative cost rate proposal in 2009 which is pending review by the cognizant agency. With the proposed rate, UNH expects recoveries to increase slightly in future years.

Table 1: Full-Time Equivalent (FTE) Credit Enrollment in the Fall of Each Year

	2004	2005	2006	2007	2008
UNH	13,165	13,333	13,741	13,856	13,925
PSU	4,921	5,266	5,322	5,554	5,677
KSC	4,504	4,478	4,550	4,815	4,979
UNHM	884	839	848	861	840
GSC	1,255	1,016	1,038	1,031	1,064
Total USNH FTEs	24,729	24,932	25,499	26,117	26,485
NH Resident	15,313	15,504	16,059	16,374	16,374
Nonresident	9,416	9,428	9,440	9,743	10,111
Total USNH FTEs	24,729	24,932	25,499	26,117	26,485

B. Investing Activities

The credit crisis and other macro-economic factors impacted USNH operations during both 2009 and 2008 as described below. The USNH endowment pool lost 23.2% in 2009 compared to a loss of 4.6% in 2008. These unprecedented losses have effectively offset all gains earned in recent years. With regard to endowment stewardship, the State of New Hampshire adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2009. As a result of this new legislation, both USNH and UNHF updated their endowment spending policies to allow payout from underwater true endowment funds beginning in 2010. However, such spending serves to compound the impact of the endowment losses incurred. Accordingly, management has capped the USNH endowment payout-per-unit for designated purposes in 2010 at 85% of the 2009 amount. Chart 5 on the following page shows the change in USNH endowment and similar funds over the past ten years. Additional information on the components of the change for the past three years can be found in Table 5.

The 2009 other investment income total includes \$9.0 million in proceeds from a settlement related to certain USNH commercial paper purchases in 2008

Table 2: Freshman Applications, Acceptances and Enrollees at UNH at Durham in the Fall of Each Year*

	2004	2005	2006	2007	2008
Freshman applications received	12,009	12,809	13,991	15,122	16,246
Freshman acceptances as % of applications (selectivity ratio)	69%	72%	67%	59%	65%
Freshman enrolled as % of acceptances (matriculation yield)	31%	30%	33%	30%	26%

*excludes transfers and readmits

(see Note 12 for additional information). Operating investment income was lower in 2009 than in 2008 due to the low interest rate environment and unrealized losses on mutual fund holdings. USNH updated its investment policy in 2009, in part, to mitigate investment risks (see Note 2 for a summary of provisions of the policy).

During 2009 USNH also replaced the stand-by bond purchase agreement on the 2005A Bonds with a daily self-liquidity commitment. This commitment requires USNH to maintain 1.5 times the outstanding bonds balance in same-day available funds through March 2010 (see Note 8 for additional information).

C. Cost Containment

Management and trustees continue to focus on controlling costs. UNH began 2009 with a hiring freeze and ended the year with a salary freeze for most non-union employees. USNH will review the final enrollment figures for Fall 2009 before committing to any salary increases for 2010. All campuses have also actively reduced spending on travel, business meals, subscriptions, and memberships. Printing and mailing costs are being reduced through expansion of web-based information delivery. Medical and dental costs net of employee cost sharing increased a total of 10.1% in 2009, and have increased an average of 10.8% per year over the past ten years. Increases for 2010 are expected to continue in the 12% range despite continuing cost containment initiatives and increased employee cost sharing. Utilities expenses in 2009 increased 6.4% over 2008, primarily due to increased oil costs at PSU and KSC. UNH brought its ECOLine Pipeline Project live at the end of 2009. The pipeline transports cleaned landfill gas to the Durham campus to be used as the primary source of fuel for the cogeneration plant. ECOLine is expected to further lower and stabilize energy costs, and will eventually supply a majority of UNH's needs for electricity, heating and cooling.

USNH has a long tradition of efficient operations, tight spending controls, and balanced budgets. The 2009 economy resulted in additional monitoring in this regard, and management expects to continue in this businesslike mode. Programmatic expenses associated with direct services to students and customers have outpaced increases in general overhead expenses. Overhead, recorded as institutional support, is one of the smallest components of USNH expenses and has been well-controlled as seen in Chart 6.

Chart 4: Awards for Competitive Sponsored Programs, UNH Only
(\$ in millions)

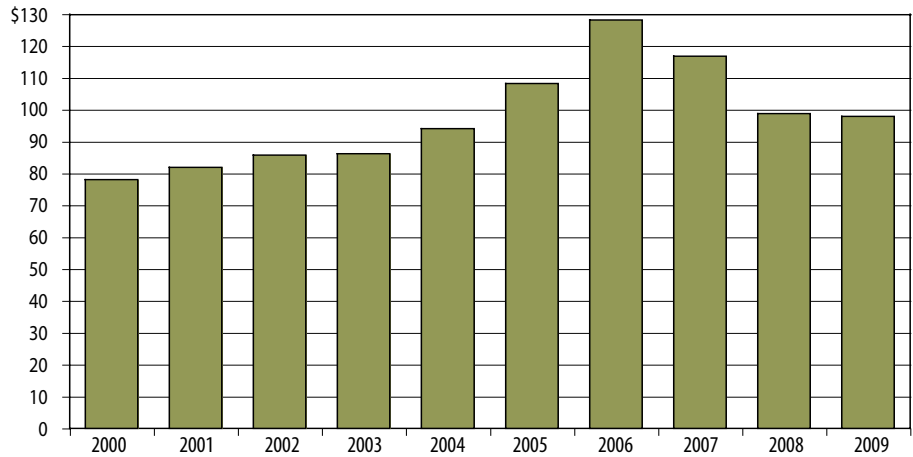


Chart 5: Total USNH Endowment & Similar Funds
(includes UNHF & KEA)
Ten-Year Growth
(\$ in millions)

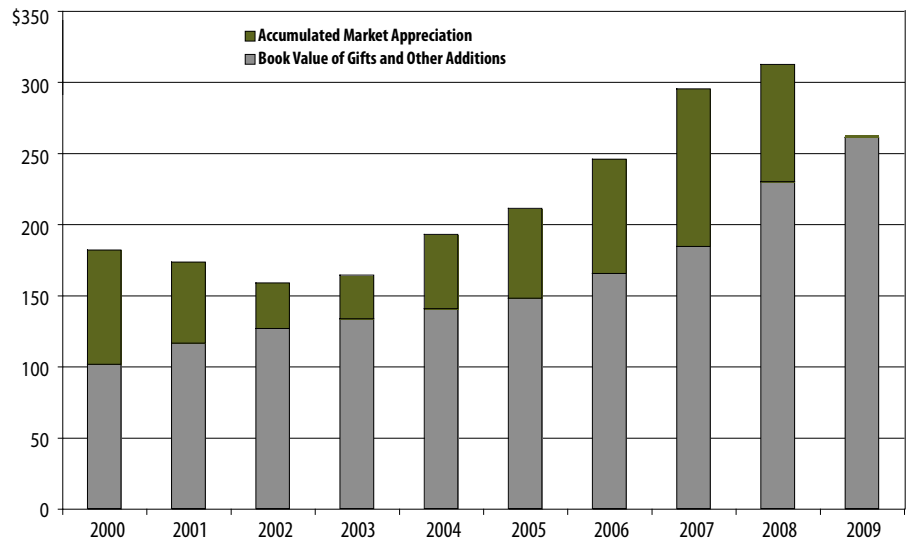
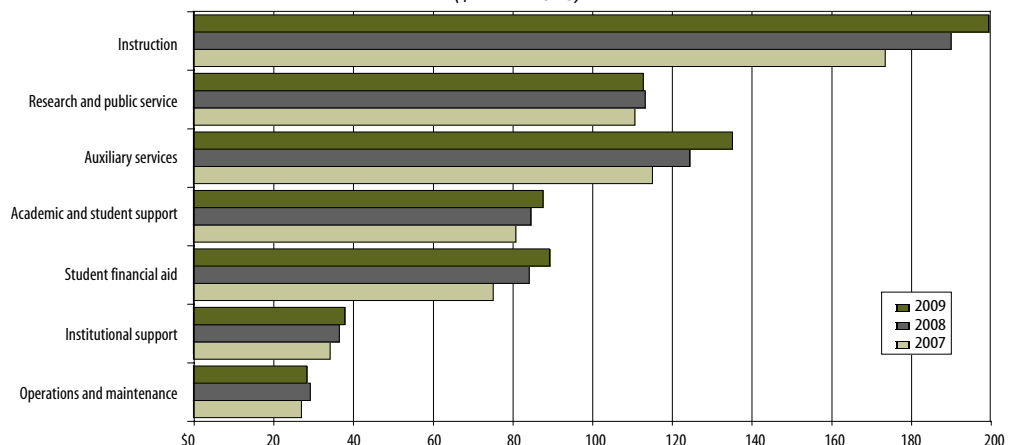


Chart 6: Current Fund Expenses by Functional Classification
(\$ in millions)



D. State Capital Support

In 2001 the state demonstrated its commitment to USNH as an engine of economic development by authorizing the first phase (\$100 million) of a two-phase capital program to expand and renovate teaching and departmental research facilities, primarily for science and engineering. This program, known as the Knowledge Economy Education Plan for New Hampshire (KEEP-NH), is expected to bolster the state's high tech job market for years to come. Funding for phase two of KEEP-NH, an additional \$110 million, was approved in June 2005. Spending and commitments against the combined KEEP-NH appropriation through June 30, 2009 totaled approximately \$168 million. The remaining \$41.5 million will be expended over the next four years to renovate and expand three major science buildings at UNH and complete the conversion to digital transmission by NHPB. (See Note 5 for additional information on KEEP-NH spending to date.) Based on a survey of nearly 100% of the buildings on the residential campuses, USNH developed a new fee in 2009 to address deferred maintenance. The fee will be assessed beginning in 2010, and the associated revenue will be earmarked to reduce deferred maintenance of educational and general buildings not addressed by the KEEP-NH initiatives. USNH is working with the state to develop a matching state funding program for deferred maintenance in future years.

USNH also issued \$105.7 million of New Hampshire Health and Education Facilities Authority (NHHEFA) revenue bonds in March 2009. The majority of the proceeds for the Series 2009A Bonds (\$84.0 million) were used to fully refund the Series 2006A and 2006B Bonds. This virtually eliminated USNH's variable interest rate exposure and will improve cash flows in the near term until principal payments become due beginning in 2014. The remaining proceeds will be used to finance construction of the ALLWell Ice Arena on the PSU campus, renovate the Huntress Residence Hall at KSC, and upgrade fire safety systems in dormitories and improve student recreation facilities at UNH. (See Note 8 for details on all outstanding debt issuances.)

E. Financial Indicators

USNH has adopted key strategic performance indicators, including financial measures, for each campus and the University System as a whole. The financial measures include targets that are designed to assist management in improving/maintaining the USNH operating margin, unrestricted financial resources (net assets), and total financial resources over the long term, thereby ensuring a financially healthy organization capable of serving the citizens of the state indefinitely. USNH compares itself to the Moody's median for similarly rated A1 public universities and university systems.

Unrestricted net assets declined by \$10.8 million in 2009 largely due to reduced market values of unrestricted quasi-endowment funds. This is impacting the strategic ratios shown in charts 7 and 8 above in the current year, and is expected to impact all other higher educational institutions in a similar fashion.

Management monitors the unrestricted net assets to total debt ratio carefully and considers it an important gauge of the financial health of USNH. This is particularly important as USNH nears completion of a 12-year \$1 billion capital facility improvement plan, financed primarily through debt, operating surpluses and state KEEP-NH appropriations as detailed in Chart 9. (See the Capital and Debt Activities section beginning on the following page for additional information in this regard.)

Chart 7: Unrestricted Financial Resources (Net Assets) to Operations

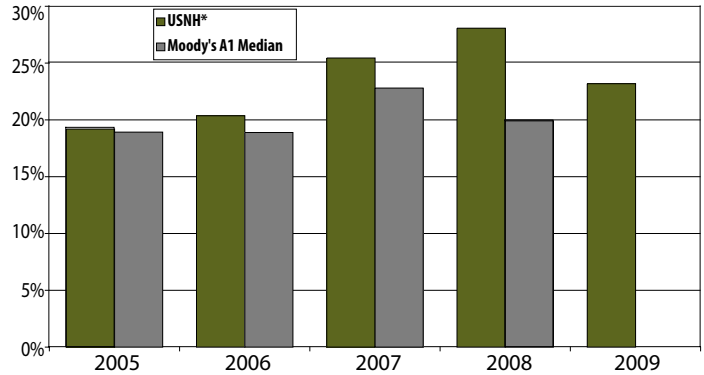
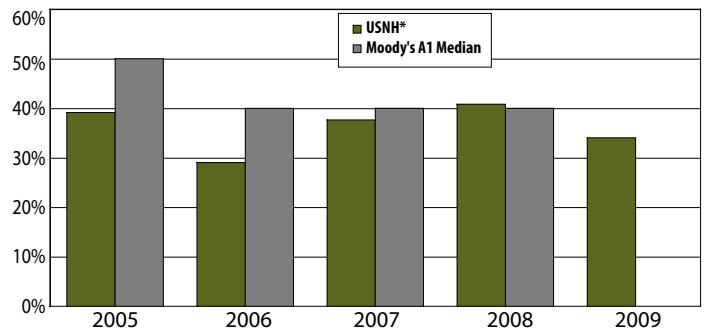
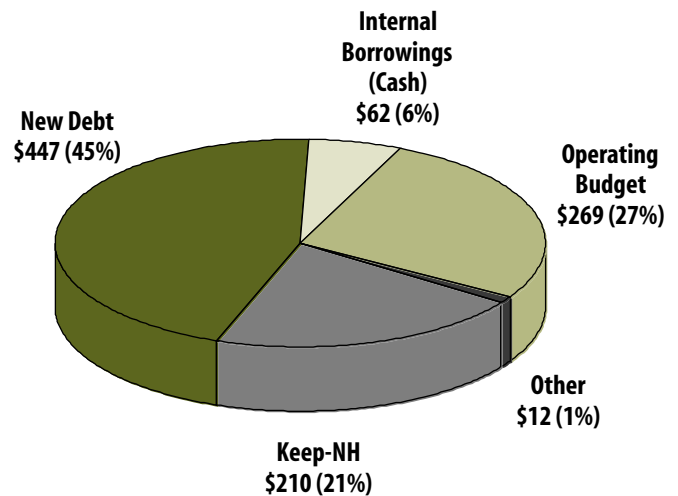


Chart 8: Unrestricted Financial Resources (Net Assets) to Total Debt



*Adjusted for postretirement medical liabilities. See Note 7 for additional information.

Chart 9: Capital Funding Sources, 2001-2013
Total = \$1 Billion
(\$ in millions)



III. Using the Financial Statements

A. Statement of Net Assets

The Statement of Net Assets depicts the financial position of USNH at 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 at fair value, 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 enrollments; quality and distinction of the faculty; growth and diversification of revenue streams; and prudent management of costs, financial assets and facilities. Table 3 below shows summary information derived from the Statement of Net Assets at June 30 for the past five years.

Total assets increased by \$387 million or 35% over the past five years. The major components of assets are cash and operating investments, endowment and similar investments, and property and equipment. Other assets include accounts and notes receivable, prepaid expenses, and debt proceeds held by others for construction purposes.

Endowment investments were valued at \$263 million as of June 30, 2009, a decrease of \$49 million from 2008. This reduction was due to investment losses incurred as a result of the economic downturn. (See the Endowment and Similar Investments discussion for additional information in this regard.) The net increase in property and equipment was \$327 million over the past five years. These increases are primarily a result of the KEEP-NH projects and utilization of bond proceeds for construction as described below.

Liabilities are primarily comprised of accrued postretirement medical benefits and long-term debt. The long-term debt of USNH primarily consists of bonds and capital leases payable. Between 2005 and 2009, USNH issued \$282 million of revenue bonds to finance new construction, as described more fully below. Other liabilities include accounts payable, deferred revenue, accrued employee benefits, and government advances refundable (amounts provided by the US Government under the Perkins Loan Program that would be refundable should USNH cease operating its revolving loan programs.)

Total net assets have grown from \$633 million at June 30, 2005 to \$824 million at June 30, 2009, an increase of 30% in the past four years. Net assets are reported in three net asset categories. The invested in capital assets amount is the historical cost of property and

equipment reduced by total accumulated depreciation and the balance of related debt outstanding. Restricted net assets include funds already expended or committed, such as loan funds and endowments and similar funds, where assets are restricted as to purpose or assets are required to be invested in perpetuity.

Net assets that are not subject to externally imposed restrictions governing their use are classified as unrestricted net assets on the Statement of Net Assets. 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. Substantially all unrestricted net assets are committed for goods and services not yet received, capital projects in various stages of planning and completion, normal working capital for departmental activities, or designated for specific future purposes. (See Note 10 for further details on net asset balances.)

Capital and Debt Activities

Expenditures for property and equipment are recorded as additions to assets on the Statement of Net Assets with the related depreciation recorded as an operating expense on the Statement of Revenues, Expenses and Changes in Net Assets. 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 nonoperating expense in the Statement of Revenues, Expenses and Changes in Net Assets, whereas the principal payments required to pay down the debt are reflected as a reduction of the corresponding liability.

Major capital projects for the past four years and construction in progress as of June 30, 2009 are listed in Table 4 on the following page.

Academic Facilities

The KEEP-NH legislation signed into law in July 2001 resulted in an initial \$100 million appropriation from the state to fund the renovation and expansion of teaching and research facilities, primarily for science and technology. The first KEEP-NH initiative was successfully completed in the summer of 2007. All the projects using the first phase of funding were completed on-time and on-budget.

Table 3: Summary Information Derived from the Statement of Net Assets as of June 30

(\$ in millions)

	2005	2006	2007	2008	2009
Cash and operating investments	\$ 188	\$ 202	\$ 226	\$ 226	\$ 218
Endowment and similar investments	211	245	295	312	263
Property and equipment, net	588	694	780	852	915
Other assets	110	166	105	87	88
Total assets	<u>\$1,097</u>	<u>\$1,307</u>	<u>\$1,406</u>	<u>\$1,477</u>	<u>\$1,484</u>
Postretirement medical benefits	\$ 45	\$ 49	\$ 52	\$ 51	\$ 47
Long-term debt	279	418	419	458	475
Other liabilities	140	137	138	135	138
Total liabilities	<u>\$ 464</u>	<u>\$ 604</u>	<u>\$ 609</u>	<u>\$ 644</u>	<u>\$ 660</u>
Invested in capital assets, net	\$ 352	\$ 386	\$ 409	\$ 430	\$ 476
Restricted	218	246	283	278	234
Unrestricted	63	71	105	125	114
Total net assets	<u>\$ 633</u>	<u>\$ 703</u>	<u>\$ 797</u>	<u>\$ 833</u>	<u>\$ 824</u>

Table 4: Major Construction Projects

	Campus	Name of Project	Primary Purpose	Total Project Cost (\$ in millions)	Primary Sources of Funds
Fiscal year completed:					
2004	UNH	Holloway Hall	Student dining	\$29	NHHEFA bonds
	UNH	Congreve Hall renovation	Student residential	16	NHHEFA bonds
	UNH	Murkland Hall renovation	Academic & research	9	State appropriations
	PSU	Boyd Hall renovation	Academic & research	19	State appropriations & gifts
2005	KSC	Putnam Science Center	Academic & research	24	State appropriations & gifts
	KSC	Zorn Hall	Student dining	21	NHHEFA bonds, gifts & cash
2007	UNH	Gables Apartments expansion	Student residential	37	NHHEFA bonds
	UNH	Central Heating/Cogeneration Facility	Energy infrastructure	30	Capital lease & cash
	UNH	Thompson Hall renovation	Administrative	4	Cash
	PSU	Langdon Woods	Student residential	29	NHHEFA bonds
	KSC	Butler Court	Student residential	18	NHHEFA bonds
	KSC	Media Arts Center	Academic	5	Cash
2008	UNH	Kingsbury Hall renovation and expansion	Academic & research	56	State appropriations, gifts & cash
	UNH	Southern Underpass	Infrastructure	8	State approps, fed grants & cash
	PSU	Mary Lyon Hall renovation	Student residential	16	NHHEFA bonds & cash
2009	UNH	Southeast Residential Community	Student residential	51	NHHEFA bonds
	UNH	DeMeritt Hall	Academic & research	19	State appropriations & gifts
	UNH	Fairchild Hall renovation	Student residential	9	NHHEFA bonds
	UNH	Stillings renovation	Student dining	2	NHHEFA bonds & cash
	UNH	Chase Hall addition	Academic & research	2	Federal grants
	UNH	Main Street Reconstruction Project	Infrastructure	2	State grants, local grants & cash
	UNH	Philbrook Hall expansion	Student dining	6	NHHEFA bonds & cash
	PSU	Central Campus Infrastructure improvements	Energy & other infrastructure	7	State appropriations & cash
	KSC	Pondside III Apartments	Student residential	17	NHHEFA bonds
	KSC	Fiske Hall renovation	Student residential & administrative	9	NHHEFA bonds & cash
In progress at June 30, 2009, at budgeted amounts:					
	UNH	ECOLine Landfill Gas Project	Energy infrastructure	49	NHHEFA bonds & cash
	UNH	Marine Pier	Infrastructure	14	Federal grants
	UNH	James Hall renovation	Academic & research	35	State appropriations & gifts
	UNH	NH Hall Kinesiology renovation	Academic & research	5	Cash
	UNH	Parsons Hall renovation	Academic & research	60	State appropriations, gifts & cash
	UNH	Recreation facilities renovations	Student recreation	3	NHHEFA bonds
	UNH	Whittemore Arena renovations	Student recreation	2	NHHEFA bonds
	UNH	Residential Safety improvements	Student residential	1	NHHEFA bonds & cash
	PSU	ALLWell Ice Arena	Infrastructure	16	NHHEFA bonds & cash
	KSC	Central Heating/Cogeneration Facility	Energy Infrastructure	10	State appropriations & cash
	KSC	KSC Huntress Hall renovations	Student residential	6	NHHEFA bonds & cash
	KSC	KSC Alumni Center	Administrative	7	Cash
	NHPB	Digital Transmission Conversion	Other infrastructure	3	State appropriations

The state also approved a second appropriation of \$110 million to complete the KEEP-NH plan by 2013. Infrastructure projects on the residential campuses have been completed along with a ground-up renovation of Demeritt Hall at UNH. The remaining funds will provide similar renovations for James Hall and Parsons Hall. All three buildings serve instruction and research areas in the sciences at UNH.

Residential Life Facilities

In 2005, each of the three residential campuses housed approximately 55% of their traditional age undergraduate populations. The long-term strategic goal of each campus is to house approximately 60% of its undergraduates. To meet this goal USNH issued an additional \$210 million in revenue bonds during 2005 and 2006. All projects have been completed including Zorn

Dining Hall and the Butler Court, Fiske and Pondside III Residence Halls at KSC; the Grafton, Langdon Woods and Mary Lyon Residence Halls at PSU; and the Philbrook Dining Hall, Fairchild Residence Hall, Gables Apartments and Southeast Residential Community at UNH. This has enabled USNH to reach the student housing goals of 60% for undergraduates at each residential campus.

In 2009 USNH issued \$24 million of additional bonds to finance the construction of the ALLWell Arena and Welcome Center at PSU; renovate the Huntress Residence Hall at KSC; and upgrade fire safety systems in dormitories and make certain improvements to student recreation facilities at UNH. All of these projects are currently underway with completion expected by September 2010.

UNH Energy Infrastructure Facilities

During 2004, USNH entered into a construction contract for replacement of the central heating plant at UNH, including an electricity cogeneration facility. The project cost totaled \$30 million of which \$19 million was financed by a 20-year capital lease, with the balance coming from USNH funds. The facility went online in early fiscal 2008. This facility is able to burn multiple fuels and has significantly reduced the risks and costs from volatile utility prices. Building on the success of the cogeneration facility, in August 2007 the Trustees approved ECOLine, a project designed to pipe enriched and purified gas from a landfill in Rochester, NH to the Durham campus. The work included construction of a methane gas processing plant and underground pipeline to transport the processed gas to the cogeneration facility, as well as acquisition of an additional turbine to generate electricity. NHHEFA bonds were issued in 2008 to fully fund the project. The resultant renewable, carbon-neutral gas will replace commercial natural gas as the primary fuel in UNH's cogeneration plant. The project is nearing completion and will enable UNH to derive the majority of its energy from a renewable resource in future years.

See Notes 5 and 8 for further information on capital and debt activities, respectively.

Endowment and Similar Investments

Endowment gifts are invested in various assets depending on whether the donor contributed 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: the USNH Combined Endowment Pool (CEP) for the benefit of several campuses or the UNHF endowment pool for the benefit of UNH only. The investment pools are managed to provide the highest rate of return over the long term given an acceptable level of risk as determined by the responsible fiduciaries. The USNH Board of Trustees has fiduciary responsibility for the CEP, whereas the separate boards of UNHF and KEA have their own investment policies and are separately responsible for those investments. Table 5 above shows summarized endowment activity for the years ended June 30, 2009, 2008 and 2007.

Table 5: Endowment Activity for the Years Ended June 30
(\$ in millions)

	USNH Campuses		Affiliated Entities			Total
	Pooled	Other	UNH Foundation		KEA	
			Pooled	Other		
Fair value, June 30, 2006	\$113	\$15	\$108	\$4	\$4	\$244
New gifts	5		4			9
Quasi endowment additions & other changes	10			1		11
Total return	20	3	18	1		42
Total distribution	(5)	(1)	(5)			(11)
Fair value, June 30, 2007	143	17	125	6	4	295
New gifts	9		8			17
Quasi endowment additions & other changes	27					27
Total return (loss)	(7)	(1)	(6)	(1)		(15)
Total distribution	(5)	(1)	(6)			(12)
Fair value, June 30, 2008	167	15	121	5	4	312
New gifts	12		4			16
Quasi endowment additions & other changes	16					16
Total return (loss)	(45)	(2)	(20)	(1)		(68)
Total distribution	(6)	(1)	(6)			(13)
Fair value, June 30, 2009	\$144	\$12	\$99	\$4	\$4	\$263

The endowment return used in operations from all sources, including the CEP and the UNHF pool, totaled \$13 million in 2009 and \$12 million in 2008. The 2009 endowment distribution rate per unit as a percentage of the average market value per unit for the twelve quarters from which it was derived was 4.9% for the USNH endowment pool and 5.3% for the UNHF endowment pool. This compares to 5.4% for the USNH endowment pool and 5.5% for the UNHF endowment pool in 2008. See Notes 4 and 11 for further information on endowment and similar investments.

B. 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, other revenues and expenses, and other changes in net assets, as prescribed and defined by the Governmental Accounting Standards Board (GASB). Table 6 shows summary information derived from the Statement of Revenues, Expenses and Changes in Net Assets for the past five fiscal years ended June 30.

There are three major components which management considers separately when analyzing the change in total net assets: net income from recurring activities (also referred to as operating margin); capital appropriations and other plant changes; and endowment gifts and unutilized total returns. The net income from recurring activities is further broken down into operating revenues, operating expenses, and other revenues (expenses).

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. GASB reporting standards require certain significant recurring revenues to be shown as nonoperating, including state general appropriations, noncapital gifts, operating investment income, and endowment return 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

Table 6: Summary Information Derived from the Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30
(*\$ in millions*)

	2005	2006	2007	2008	2009
Operating revenue	\$457	\$495	\$524	\$558	\$582
Operating expenses	(545)	(579)	(602)	(644)	(670)
Other revenues (expenses), net	99	106	119	106	113
Net income from recurring activities	11	22	41	20	25
Capital appropriations and other plant changes, net	23	24	14	29	37
Endowment gifts and unutilized total returns, net	20	28	40	(11)	(64)
Other changes in net assets		(3)		(2)	(7)
Net increase (decrease) in net assets	<u>\$ 54</u>	<u>\$ 71</u>	<u>\$ 95</u>	<u>\$ 36</u>	<u>\$ (9)</u>

services. In other words, the regular operating expenses of USNH are funded in part by revenues not shown as operating revenues under GASB formats. Operating revenues for 2009 were \$125 million greater than four years prior whereas operating expenses increased by the same amount during the period. Other revenues (expenses) for 2009 increased by \$14 million over 2005 and include state appropriations, gifts, operating investment income, endowment returns used in operations, net of interest expense. The result was a significant improvement in the operating margin from \$11 million in 2005 to \$25 million in 2009.

Capital appropriations and other plant changes resulted in an increase in net assets of \$37 million in 2009, primarily due to KEEP-NH as described on pages 19 and 20. The endowment gifts and unutilized return total of (\$64) million in 2009 includes new gifts of approximately \$16 million offset by investment losses of (\$68) million and distributions totaling \$13 million as detailed in Table 5. These unprecedented endowment losses were the result of the economy as discussed previously. USNH continues to focus on building the endowment through three strategies: investing endowment assets to generate

improved total returns while managing risk; reducing dependence on endowment returns used in operations; and working to foster philanthropic interest to support the endowment with new giving. During 2009, USNH distributed \$5.1 million of internal funds to the campuses in support of development initiatives.

C. Statement of Cash Flows

The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal period. Table 7 shows summary information derived from the Statement of Cash Flows for the five years ended June 30, 2009.

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 direct method of the Statement of Cash Flows, on the other hand, shows cash inflows and outflows. 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 receipts for state general appropriations and noncapital gifts be shown as cash flows from noncapital financing activities. Included in cash flows from capital financing activities are all plant funds and related long-term debt activities, as well as gifts to the endowment. This includes KEEP-NH and NHHEFA bond construction amounts expended. Cash flows from investing activities show all uses of cash and cash equivalents to purchase investments, and all cash and cash equivalents provided by the sale of investments and income generated from cash and investments owned. 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.

Table 7: Summary Information Derived from the Statement of Cash Flows for the Years Ended June 30
(*\$ in millions*)

	2005	2006	2007	2008	2009
Cash flows provided by (used in):					
Operating activities	\$(38)	\$(47)	\$(39)	\$(52)	\$(43)
Noncapital financing activities	97	100	104	108	109
Capital financing activities	(3)	20	(118)	(46)	(78)
Investing activities	(35)	(71)	73	24	28
Increase in cash and cash equivalents	21	2	20	34	16
Increase (decrease) in current and long-term operating investments	9	12	4	(35)	(22)
Change in cash, cash equivalents and operating investments	<u>\$ 30</u>	<u>\$ 14</u>	<u>\$ 24</u>	<u>\$ (1)</u>	<u>\$ (6)</u>

University System of New Hampshire Statement of Net Assets (*\$ in thousands*)

	Balance at June 30,	
	2009	2008
ASSETS		
Current Assets		
Cash, cash equivalents, and operating investments	\$ 213,326	\$ 218,848
Accounts receivable	18,443	18,467
Accounts receivable - State of NH appropriations	16,802	4,518
Pledges receivable - current portion	538	1,445
Notes receivable - current portion	3,259	3,392
Prepaid expenses and other current assets	6,033	5,154
Total Current Assets	258,401	251,824
Noncurrent Assets		
Debt proceeds held by others for construction purposes	22,034	32,195
Long-term operating investments	5,042	6,830
Endowment and similar investments - campuses	155,246	181,519
Endowment and similar investments - affiliated entities	107,413	130,760
Pledges receivable	473	885
Notes receivable	18,646	18,686
Property and equipment, net	914,524	852,349
Other assets	2,545	2,760
Total Noncurrent Assets	1,225,923	1,225,984
TOTAL ASSETS	\$1,484,324	\$1,477,808
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 35,644	\$ 29,981
Construction services payable	9,302	13,150
Deposits and deferred revenues	35,508	35,581
Accrued employee benefits - current portion	7,612	6,544
Postretirement medical benefits - current portion	5,170	5,117
Long-term debt - current portion	71,090	8,583
Total Current Liabilities	164,326	98,956
Noncurrent Liabilities		
Obligations under life income agreements	2,620	2,664
Government advances refundable	16,418	16,805
Accrued employee benefits	30,900	29,991
Postretirement medical benefits	42,030	46,305
Long-term debt	403,788	449,612
Total Noncurrent Liabilities	495,756	545,377
TOTAL LIABILITIES	\$ 660,082	\$ 644,333
NET ASSETS (see Note 10)		
Invested in capital assets, net of related debt	\$ 476,041	\$ 430,055
Restricted		
Nonexpendable	178,976	162,452
Expendable	54,903	115,808
Unrestricted	114,322	125,160
TOTAL NET ASSETS	\$ 824,242	\$ 833,475

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

University System of New Hampshire
Statement of Revenues, Expenses and Changes in Net Assets
(\$ in thousands)

	For the year ended June 30,	
	2009	2008
OPERATING REVENUES		
Tuition and fees	\$ 338,390	\$ 317,554
Less: student financial aid	(89,257)	(84,210)
Net tuition and fees	249,133	233,344
Grants and contracts	135,326	134,251
Sales of auxiliary services	176,444	166,906
Other operating revenues	21,351	23,593
Total Operating Revenues	582,254	558,094
OPERATING EXPENSES		
Employee compensation and benefits	427,956	411,387
Employee separation incentives	3,949	4,037
Supplies and services	168,458	164,242
Utilities	26,023	24,453
Depreciation	43,873	39,683
Total Operating Expenses	670,259	643,802
Operating loss	(88,005)	(85,708)
NONOPERATING REVENUES (EXPENSES)		
State of New Hampshire general appropriations	100,000	96,000
Gifts	9,419	12,483
Operating investment income (expense), net	(332)	11,148
Other investment income (expense) (see Note 12)	9,021	(9,900)
Endowment return used for operations	13,301	11,628
Interest expense, net	(17,919)	(15,927)
NET INCOME BEFORE OTHER CHANGES IN NET ASSETS	25,485	19,724
OTHER CHANGES IN NET ASSETS		
State of New Hampshire capital appropriations	28,929	20,235
Plant gifts, grants, and other changes, net	7,799	8,931
Endowment and similar gifts	16,531	16,849
Endowment return, net of amount used for operations	(80,977)	(27,595)
Other changes in net assets	(7,000)	(2,000)
Total Other Changes in Net Assets	(34,718)	16,420
INCREASE IN NET ASSETS	(9,233)	36,144
Net assets at beginning of year	833,475	797,331
NET ASSETS AT END OF YEAR	\$824,242	\$833,475

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

University System of New Hampshire Statement of Cash Flows

(\$ in thousands)

	For the year ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees, net	\$ 249,736	\$ 232,895
Grants and contracts	132,824	137,489
Sales of auxiliary services	177,076	166,972
Other operating revenues	22,540	23,275
Payments to employees	(321,177)	(311,617)
Payments for employee benefits	(110,372)	(108,660)
Payments to suppliers and services	(193,185)	(192,509)
NET CASH USED IN OPERATING ACTIVITIES	(42,558)	(52,155)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State general appropriations	100,000	96,000
Gifts	9,414	12,174
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	109,414	108,174
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State appropriations for plant projects	16,645	18,697
Plant gifts and grants	7,799	8,931
Endowment gifts	16,424	16,741
Purchases of property, equipment, and construction services	(110,022)	(108,213)
Proceeds from sale and disposal of property and equipment	-	515
Proceeds from issuance of debt	108,652	46,519
Retirement of debt through defeasance	(83,106)	-
Debt principal payments	(8,938)	(7,890)
Interest expense	(18,946)	(18,930)
Other expenses	(7,000)	(2,000)
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(78,492)	(45,630)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	262,228	466,532
Purchase of investments	(238,447)	(462,704)
Endowment investment yield	3,939	6,959
Operating investment income (expense)	(225)	11,765
Investment income on bond proceeds	59	1,749
NET CASH PROVIDED BY INVESTING ACTIVITIES	27,554	24,301
Increase in cash and cash equivalents	15,918	34,690
Beginning cash and cash equivalents	152,522	117,832
ENDING CASH AND CASH EQUIVALENTS	\$ 168,440	\$ 152,522
Ending cash and cash equivalents, as above	\$ 168,440	\$ 152,522
Operating investments	44,886	66,326
TOTAL CASH, CASH EQUIVALENTS, AND OPERATING INVESTMENTS	\$ 213,326	\$ 218,848
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (88,005)	\$ (84,853)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	43,873	39,683
Changes in current assets and liabilities:		
Accounts receivable	(109)	2,000
Pledges receivable	942	-
Notes receivable	133	(190)
Prepaid expenses and other current assets	(878)	146
Accounts payable and accrued expenses	5,007	(10,201)
Deposits and deferred revenues	(102)	501
Accrued employee benefits	(3,419)	759
NET CASH USED IN OPERATING ACTIVITIES	\$ (42,558)	\$ (52,155)

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

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, Keene State College, Plymouth State University, Granite State College, and all wholly-owned and operated auxiliary activities. These organizations are collectively referred to in the accompanying financial statements as "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 New Hampshire Public Broadcasting (NHPB), the University of New Hampshire Foundation, Inc. (UNHF) and the Keene Endowment Association (KEA). NHPB, UNHF and KEA are collectively referred to in the accompanying financial statements as "affiliated entities." In accordance with the requirements of the authoritative pronouncements noted above, the associated revenues, expenses, assets, liabilities and net assets have been blended with those of the campuses, and all associated inter-entity activity has been eliminated. The affiliated entities are further described below.

The state's only public television station, New Hampshire Public Broadcasting, was formerly a component unit of the University of New Hampshire at Durham and known as New Hampshire Public Television. NHPB underwent a reorganization in 2009 and became a separate, wholly-owned 501(c)(3) affiliated corporation of USNH. NHPB is governed by its own Board of Directors, the membership of which includes the Chancellor of USNH and four USNH Trustees. The activities and balances of NHPB are presented herein as an affiliated entity for both 2009 and 2008 for comparability.

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 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.

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.

USNH follows the requirements of the "business-type activities" (BTA) model as defined by GASB Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis for Public Colleges and Universities*. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services. 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, as more fully detailed in Note 10:

- **Invested in capital assets, net of related debt:** Property and equipment at historical cost or fair value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition or construction of those assets.
- **Restricted Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by USNH. Such net assets include the historical gift value of restricted true endowment funds.

- **Restricted Expendable:** Net assets whose use by USNH is subject to externally imposed stipulations. Such net assets include the accumulated net gains on true endowment funds as well as the fair value of restricted funds functioning as endowment, restricted funds loaned to students, restricted gifts and endowment income, and other similarly restricted funds.
- **Unrestricted:** 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 endowment; or committed to capital construction projects.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The most significant areas that require management estimates relate to valuation of certain investments, useful life and related depreciation of capital assets, and accruals for postretirement medical and other employee-related benefits.

Operating revenues include tuition and fees, grants and contracts, sales of auxiliary services, and other operating revenues. Tuition and fee revenues are reported net of student financial aid discounts and allowances. Operating expenses include employee compensation and benefits, supplies and services, utilities, and depreciation. Operating expenses also include early retirement and other separation incentive stipends and benefits promised to certain employees in exchange for termination of employment. All such termination benefits are accrued as of the date the termination agreement is signed, and are presented at net present value at year end. Nonoperating revenues (expenses) include all other revenues and expenses except certain changes in long-term plant, endowment and other net assets, which are reported as other changes in net assets. Operating revenues are recognized when earned and expenses are recorded when incurred. Restricted grant revenue is recognized only to the extent of applicable expenses incurred or, in the case of fixed-price contracts, when the contract terms are met or completed.

Investments are maintained with established financial institutions whose credit is evaluated by management and the respective governing boards of USNH and its affiliated entities. Highly liquid investments with a maturity of 90 days or less when purchased are recorded as cash and cash equivalents. Current operating investments have a maturity of more than 90 days when purchased, are highly liquid and are invested for purposes of satisfying current liabilities and generating investment income to support operating expenses. Long-term operating investments are unrestricted amounts invested alongside the endowment pool that are not expected to be liquidated in the next year, but are available for operating purposes if needed. Purchases and sales of investment securities are recorded as of the trade date. Net realized and unrealized gains and losses on endowment investments, as well as interest and dividend yield, are reported as endowment return. Endowment return used for operations per application of the endowment spending policy is reported as nonoperating revenue whereas the excess (deficiency) of endowment return over that used for operations is reported as other changes in net assets.

In addition to the amounts reported as accounts receivable, USNH had unearned grants and contracts for services not yet performed of \$116,124,000 and \$122,609,000 at June 30, 2009 and 2008, 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, 2009 and 2008 was \$18,480,000 and \$19,762,000, respectively, and is a component of grants and contracts revenue.

Unconditional pledges of nonendowment gifts are presented net of estimated amounts deemed uncollectible after discounting to the present value of expected future cash flows. Because of uncertainties 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 \$2,826,000 and \$8,249,000 at June 30, 2009 and 2008, respectively, which are expected to be received over the next eight years, have not been reported in the accompanying financial statements. USNH determines on a case-by-case basis whether to first apply restricted resources when an expense is incurred where both restricted and unrestricted net assets are available.

Property and equipment are recorded at original cost for purchased assets or at fair value on the date of donation in the case of a gift. Equipment with a unit cost of \$5,000 or more is capitalized. Building improvements with a cost of \$25,000 or greater are also capitalized. Net interest

costs incurred during the construction period for capital projects are added to the cost of the underlying asset. The value of equipment acquired under capital leases is recorded at the present value of the minimum lease payments at the inception of the lease. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets. The cost of certain research buildings is componentized for the purpose of calculating depreciation. Buildings and improvements are depreciated over useful lives ranging from 10 to 50 years. Depreciable lives for equipment range from 3 to 30 years. See Note 5 for additional information on depreciation. USNH does not record donated works of art and historical treasures that are held for exhibition, education, research and public service. Library collections are recorded as an expense in the period purchased.

Deferred revenue consists of amounts billed or received in advance of USNH providing goods or services. Advances from the US 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.

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.

Certain amounts previously reported in the 2008 financial statements have been reclassified to be comparable to the 2009 presentation.

New Legal and Accounting Standards

The State of New Hampshire adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective as of July 1, 2008. During 2009, USNH and UNHF updated their respective endowment spending policies to allow spending of underwater true endowment funds whose market value is less than the historic gift value (underwater funds) when deemed to meet the prudence standards specified within the legislation. Fiscal year 2010 endowment spending will include payout from underwater true endowment funds.

The USNH financial statements and notes for 2009 and 2008 as presented herein include the provisions of the following GASB pronouncements:

USNH adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as of July 1, 2008. This Statement required that invested in capital assets, net, be reduced retroactively to the first fiscal period presented, for obligations related to pollution contamination remediation costs incurred as part of committed plant renovation projects.

Following is a reconciliation of the June 30, 2008 and 2007 net assets previously reported to the restated totals for the same periods in this regard (*\$ in thousands*):

	<u>2008</u>	<u>2007</u>
Invested in capital assets, net of related debt, as originally reported	\$432,454	\$410,520
Cumulative pollution remediation obligations and related expenses	(2,399)	(1,545)
Invested in capital assets, net of related debt, as restated	<u>\$430,055</u>	<u>\$408,975</u>

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for periods beginning after June 15, 2009. This statement will require that certain intangible assets be identified and recorded as capital assets.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for periods beginning after June 15, 2009. Among other things, Statement No. 53 will require USNH to record the fair value of derivative investments in the financial statements.

USNH is currently evaluating the impact of these additional standards on future financial statements.

2. Cash, cash equivalents and operating investments

Cash, cash equivalents and operating investments are recorded at cost, which approximates fair value, except where there is a permanent impairment of value as detailed in Note 12. USNH's investment policy and guidelines specify permitted instruments, durations, required ratings and insurance of USNH cash, cash equivalents and operating investments. The investment policy and guidelines are intended to mitigate credit risk on investments individually and in the aggregate through restrictions on investment type, liquidity issuer, custodian, dollar level, maturity, and rating category. Specific provisions require that banks in which USNH holds investments must have FDIC or FSLIC insurance and be rated A1/P1 by Standard and Poors and Moody's. Repurchase agreements must be fully collateralized at 102% of the face value by US Treasuries, or 103% of the face value by US Government-backed or guaranteed agencies or government sponsored enterprises. Money market funds must be rated AAA/Aaa by Standard and Poors and Moody's, and comply with Securities and Exchange Commission (SEC)

Rule 2A-7. Other mutual funds must be affiliated with the largest national fund managers. In addition, USNH investments may not exceed 5% of any institution's total deposits or 20% of any institution's net equity.

Cash and cash equivalents:

Highly liquid investments with a maturity of 90 days or less when purchased are recorded as cash and cash equivalents. Cash and cash equivalents at June 30 consisted of the following (*\$ in thousands*):

	<u>2009</u>	<u>2008</u>
Cash and repurchase agreements	\$ 9,366	\$ 6,030
Money market funds and other mutual funds	159,074	146,492
Total	<u>\$168,440</u>	<u>\$152,522</u>

Included in the cash and repurchase agreements balances at June 30, 2009 were \$10,339,000 in repurchase agreements, \$4,600,000 in cash and a net cash overdraft of \$5,573,000. This compares to \$3,061,000 in repurchase agreements, \$9,470,000 in cash and a net cash overdraft of \$6,501,000 at June 30, 2008. Repurchase agreements are limited to overnight investments only.

Operating investments:

Unlike the long-term operating investments discussed in Note 4 below, operating investments included in current assets are amounts invested to meet regular operations of USNH and include obligations of the US Government, commercial paper, money market and other mutual funds, and the current portion of debt proceeds held by others for construction purposes. Operating investments generally have an original maturity of more than 90 days when purchased, are highly liquid and are invested for purposes of satisfying current liabilities and generating investment income to support operating expenses. The components of operating investments at June 30 are summarized below (*\$ in thousands*):

	<u>2009</u>		<u>2008</u>	
	Balance	Weighted Average Maturity	Balance	Weighted Average Maturity
Obligations of the US government	\$15,944	4 years	\$31,335	3 years
Corporate bonds and notes	7,400	4 years	7,341	4 years
Money market and other mutual funds	19,892	Not Applicable	14,129	Not Applicable
Current portion of debt proceeds held by others	1,522	Not Applicable	6,722	Not Applicable
Commercial Paper (at estimated fair value)	0	Not Applicable	6,644	Not Applicable
Other accounts	128	Not Applicable	155	Not Applicable
Total	<u>\$44,886</u>		<u>\$66,326</u>	

Operating investments in mutual funds and commercial paper are uninsured and uncollateralized against custodial credit risk. The investments associated with debt proceeds held by others for construction purposes are described in detail in Note 4 below. The commercial paper investments held at June 30, 2008 were in receivership. See Note 12 for additional information in this regard.

3. Accounts, pledges and notes receivable

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

	<u>2009</u>	<u>2008</u>
Grants and contracts	\$14,519	\$14,110
Student and general	5,660	6,065
State of NH capital projects	16,802	4,518
Allowance for doubtful accounts	(1,736)	(1,708)
Total accounts receivable, net	<u>\$35,245</u>	<u>\$22,985</u>

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

	<u>2009</u>	<u>2008</u>
Pledges receivable	\$1,061	\$2,330
Allowance for doubtful pledges	(50)	-
Total pledges receivable, net	1,011	2,330
Less: noncurrent portion	(473)	(885)
Current portion	<u>\$ 538</u>	<u>\$1,445</u>

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

	<u>2009</u>	<u>2008</u>
Perkins loans	\$22,638	\$22,838
Other loans, restricted and unrestricted	951	888
Allowance for doubtful loans	(1,684)	(1,648)
Total notes receivable, net	21,905	22,078
Less: noncurrent portion	(18,646)	(18,686)
Current portion	<u>\$ 3,259</u>	<u>\$ 3,392</u>

4. Investments

Investments include debt proceeds held by others for construction purposes, long-term operating investments, and endowment and similar investments of the campuses and affiliated entities. Investments are monitored by management and the respective governing boards of USNH and its affiliated entities. The carrying amount of these financial instruments approximates fair value.

Debt proceeds held by others:

At June 30, 2009 and 2008, respectively, total debt proceeds held by others included \$22,034,000 and \$32,195,000 of construction proceeds held by the bond trustee (see Note 8 for information on the debt related to these projects).

Debt proceeds held by others for construction purposes consisted of the following investments at June 30 (*\$ in thousands*):

	2009		2008	
	Balance	Weighted Average Maturity	Balance	Weighted Average Maturity
Guaranteed investment contracts	\$ -	Not Applicable	\$10,782	1 year
Money market mutual funds	23,557	Not Applicable	28,137	Not Applicable
Total debt proceeds held by others	23,557		38,919	
Less: current portion included in Note 2	(1,523)		(6,724)	
Long-term portion	<u>\$22,034</u>		<u>\$32,195</u>	

Long-term operating investments:

Long-term operating investments represent unrestricted amounts invested alongside the campuses' endowment pool which are not expected to be liquidated in the next year, but which are available for operations if needed. The balance of long-term operating investments at June 30, 2009 and 2008 was \$5,042,000 and \$6,830,000, respectively. These amounts consisted of ownership shares of the campuses' endowment pool and, therefore, the components, credit risk, and all other investment characteristics are identical to those described below.

Endowment and similar investments:

Endowment and similar investments are amounts invested primarily for long-term appreciation and consisted of the following as of June 30 (*\$ in thousands*):

	Campuses		Affiliated Entities	
	2009	2008	2009	2008
Money market funds	\$ 6,657	\$ 5,115	\$ 16,606	\$ 8,346
Mutual funds – bonds	20,323	15,775	15,312	16,241
Mutual funds – stocks	5,980	10,134	30,021	44,679
Mutual funds – real estate	1,749	2,851	8	16
US government obligations			521	18,862
Corporate bonds and notes			664	421
Common/preferred stocks	56,815	79,556	9,837	18,694
Alternative investments	57,327	60,201	30,589	18,700
Investments held by others	11,437	14,717	3,855	4,801
Subtotal	160,288	188,349	107,413	130,760
Operating amounts invested alongside endowment pool	(5,042)	(6,830)		
Total endowment and similar investments	<u>\$155,246</u>	<u>\$181,519</u>	<u>\$107,413</u>	<u>\$130,760</u>

Alternative investments include private equity, venture capital, hedge, natural resource and real estate funds. The estimated fair value of investments is based on quoted market prices except for certain alternative investments, for which quoted market prices are not available. The estimated fair value of certain alternative investments is based on valuations provided by external investment managers and reviewed by management. Because these alternative investments may not be readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, and such differences could be material.

Mutual funds, common stocks, and alternative investments are uninsured and uncollateralized against custodial credit risk. The USNH investment policy and guidelines, and the UNHF investment policy, mitigate the risk associated with uninsured and uncollateralized investments collectively through diversification, target asset allocations, and ongoing investment advisor and investment committee review.

The endowment and similar investment components as of June 30 are summarized below (*\$ in thousands*):

	Campuses		Affiliated Entities	
	2009	2008	2009	2008
Pooled endowments:				
Campuses	\$143,635	\$166,531		
UNHF			\$99,347	\$120,628
KEA			3,522	4,375
NHPB			689	956
Life income and annuity funds	175	271	3,855	4,801
Funds held in trust	11,436	14,717		
Total	<u>\$155,246</u>	<u>\$181,519</u>	<u>\$107,413</u>	<u>\$130,760</u>

During 2009, USNH requested liquidations of six investments which have been limited by the respective fund managers. The fair value of these investments at June 30, 2009 is \$8,593,000 which management feels is reflective of the illiquid nature. Approximately half of this total is expected to be redeemed during 2010, and the remainder is expected over a three-year period.

Commitments with various private equity and similar alternative investment funds which have not yet been called totaled \$16,255,000 for the campuses and \$4,643,000 for UNHF at June 30, 2009. This compares to \$15,098,000 and \$5,877,000, respectively, at June 30, 2008. See Note 11 for discussion of endowment return used for operations.



5. Property and equipment

Property and equipment activity for the years ended June 30, 2009 and 2008 is summarized as follows (*\$ in thousands*):

	2008			2009			Balance June 30, 2009
	Balance June 30, 2007	Additions and other changes	2008 Retirements	Balance June 30, 2008	Additions and other changes	2009 Retirements	
Land	\$ 10,709	\$ 1,058	\$ -	\$ 11,767	\$ 169	\$ -	\$ 11,936
Buildings and improvements	961,740	131,187	(590)	1,092,337	118,642		1,210,979
Equipment	121,887	7,146	(7,582)	121,451	9,403	(4,281)	126,573
Construction in progress, net	161,983	(26,876)		135,107	(21,978)		113,129
Total property and equipment	1,256,319	112,515	(8,172)	1,360,662	106,236	(4,281)	1,462,617
Less: accumulated depreciation	(476,058)	(39,683)	7,428	(508,313)	(43,873)	4,093	(548,093)
Property and equipment, net	<u>\$ 780,261</u>	<u>\$ 72,832</u>	<u>\$ (744)</u>	<u>\$ 852,349</u>	<u>\$ 62,363</u>	<u>\$ (188)</u>	<u>\$ 914,524</u>

As of June 30, 2009, USNH has five construction projects in progress utilizing funds received from proceeds of recent bond issues. Outstanding contractual obligations for these projects totaled \$18,291,000 at June 30, 2009. This compares to \$14,748,000 of obligations for the four construction projects in process at June 30, 2008. See Note 8 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 \$12,466,000 and \$6,330,000 at June 30, 2009 and 2008, respectively. The state provides funding to USNH for all such amounts expended under the KEEP-NH program, up to the authorized total of \$209,500,000. KEEP-NH funds remaining after expenditures and obligations totaled \$41,477,000 and \$75,961,000 at June 30, 2009 and 2008, respectively. See Note 8 for further description of state-funded plant facilities.

6. Accrued employee benefits

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

	Balance June 30, 2007	2008 Payments to/on behalf of participants	2008 Accrued expenses & other changes	Balance June 30, 2008	2009 Payments to/on behalf of participants	2009 Accrued expenses & other changes	Balance June 30, 2009	Current portion
Operating staff retirement plan	\$ 7,141	\$ (829)	\$ 674	\$ 6,986	\$ (705)	\$ 269	\$ 6,550	\$ 705
Additional retirement contribution	2,397	(188)	302	2,511	(55)	121	2,577	258
Employee separation	2,534	(3,168)	4,037	3,403	(3,949)	5,265	4,719	2,619
Long-term disability	2,437	(523)	1,026	2,940	(633)	1,128	3,435	633
Workers' compensation	2,062	(1,430)	1,870	2,502	(744)	(270)	1,488	876
Compensated absences	15,404	(1,311)	2,356	16,449	(943)	2,590	18,096	969
Other	1,353	(250)	641	1,744	(150)	53	1,647	1,552
Total accrued employee benefits	\$33,328	\$(7,699)	\$10,906	\$36,535	\$(7,179)	\$9,156	\$38,512	\$7,612

The operating staff retirement plan is a defined benefit plan closed to new participants since 1987. At June 30, 2009 there were approximately 231 current annuitants and 110 participants with deferred benefits, all fully vested. This compares to 248 current annuitants and 115 participants as of June 30, 2008 with deferred benefits, all fully vested. USNH has cash and unrestricted funds functioning as endowment assets of \$6,739,000 and \$6,951,000 at June 30, 2009 and 2008, respectively, designated to fund the third-party actuarially determined obligations of the plan. The investment return assumption (discount rate) used in determining the accrued pension benefit obligation was 8.5% for both years.

The accumulated operating staff retirement plan benefit obligation and funded status at June 30 consisted of the following (\$ in thousands):

	2009	2008
Retired participants and beneficiaries	\$4,343	\$4,773
Active participants	1,319	1,058
Other participants	888	1,155
Accrued pension benefit obligation	6,550	6,986
Less: funds functioning as endowment assets available for benefits	(6,739)	(6,951)
(Over) Under funded plan balance	\$ (189)	\$ 35

USNH's additional retirement contribution program 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 above) by USNH in lieu of postretirement medical benefits. In addition, employees meeting certain service guidelines prior to July 1, 1994 are eligible for a guaranteed minimum retirement contribution. There were 880 and 843 employees meeting these requirements as

of June 30, 2009 and 2008, respectively. Based on third-party actuarial calculations, USNH has accrued \$2,577,000 and \$2,511,000 at June 30, 2009 and 2008, respectively, for the related obligations. USNH has designated cash assets of \$2,745,000 for these obligations as of June 30, 2009 and 2008 which fully funds the plan. The most recent actuarial valuations for both the operating staff retirement plan and the additional retirement contribution program were performed as of June 30, 2009.

Early retirement and employee separation incentive programs were provided to various faculty and staff during 2009 and 2008. Incentives include stipends, as well as medical, educational and other termination benefits. The present value of future costs associated with these incentive options is accrued as of the date of acceptance into the program. The balances at June 30, 2009 and 2008 represent accruals for 136 and 140 participants, respectively.

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

In addition, eligible employees may elect to participate in defined contribution retirement plans administered by others. Contributions by USNH under these plans in 2009 and 2008 amounted to \$22,362,000 and \$21,690,000, respectively.

7. Postretirement medical benefits

The postretirement medical plans are single-employer plans administered by USNH. Total annual other postemployment benefit (OPEB) cost for the years ended June 30, 2009 and 2008, and the liability as of June 30, 2009 and 2008 included the following components (\$ in thousands).

	2009	2008
Annual required contribution	\$ 6,810	\$ 6,755
Interest on net OPEB obligation	(4,381)	(4,378)
Adjustment to annual required contribution	2,732	2,039
Annual OPEB cost	5,161	4,416
Contributions made	(9,383)	(4,500)
(Decrease) increase in net OPEB obligation	(4,222)	(84)
Net OPEB obligation at beginning of year	51,422	51,506
Net OPEB obligation at end of year	\$47,200	\$51,422
Current portion	\$ 5,170	\$ 5,117

The primary defined benefit postretirement medical plan, the University System of New Hampshire Medicare Complementary Plan, was optional for all full-time status employees hired before July 1, 1994 and their dependents. At June 30, 2009 and 2008, there were approximately 497 and 516 active employees who may eventually be eligible to receive benefits under this program. 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.

For measurement purposes, annual rates of increase of 9.25-9.50% in the per capita cost of covered healthcare services, and 12% for prescriptions are assumed for 2010 for the primary plan. These rates are assumed to decrease gradually to 5.5% by 2017 and remain at that level thereafter. The healthcare cost trend and discount rate assumption have a significant effect on the amounts reported. The discount rate used in determining the accumulated postretirement obligation was 8.5% for both 2009 and 2008.

Third party actuaries are used to determine the postretirement benefit obligation and annual expense amounts. The actuarially determined postretirement benefit expense for the primary plan was \$5,161,000 for 2009 and \$4,416,000 for 2008. The plan is funded on a pay-as-you-go basis with benefits paid when due. Actuarial calculations reflect a long-term perspective. By definition such calculations involve estimates and, accordingly, are subject to revision. These calculations are based on the benefits provided by the plan at the time of the last biennial plan valuation, June 30, 2009, and were developed using the Projected Unit Credit Cost Method.

8. Long-term debt

Long-term debt activity for the years ended June 30, 2009 and 2008 was as follows (\$ in thousands):

	Balance June 30, 2007	2008 Additions and other changes	2008 Retirements	Balance June 30, 2008	2009 Additions and other changes	2009 Retirements	Balance June 30, 2009	Current portion
Auxiliary bonds	\$ 1,373	\$ -	\$ (718)	\$ 655	\$ -	\$ (655)	\$ -	\$ -
NHHEFA bonds								
Series 2001 ¹	58,126		(1,270)	56,856		(1,321)	55,535	3,710
Series 2002	37,983		(1,917)	36,066		(2,016)	34,050	2,080
Series 2005A ²	64,445	9	(1,100)	63,354	10	(1,350)	62,014	62,014
Series 2005B	87,104	410		87,514	409	(865)	87,058	950
Series 2006A	24,264	4		24,268		(24,268)	-	
Series 2006B-1	60,250	13	(600)	59,663		(59,663)	-	
Series 2006B-2	63,907		(715)	63,192		(939)	62,253	1,100
Series 2007	-	46,418		46,418	16		46,434	
Series 2009A	-			-	108,493		108,493	
Capital leases	21,592		(1,383)	20,209		(1,168)	19,041	1,236
Total	\$419,044	\$46,854	\$(7,703)	\$458,195	\$108,928	\$(92,245)	\$474,878	\$71,090

¹ includes interest swaption noted below

² see discussion of self-liquidity provisions for Series 2005A bonds below

State of NH Auxiliary bonds

Bonds issued by the state to finance auxiliary enterprise buildings and improvements require remittance of semi-annual principal and interest payments 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. The final payment for State of NH Auxiliary bonds was made in June 2009.

New Hampshire Health and Education Facilities Authority (NHHEFA) Bonds and interest rate swaps

NHHEFA is a public body corporate and an agency of the State of New Hampshire whose primary purpose is to assist New Hampshire not-for-profit educational and health care institutions in the construction and financing (or refinancing) of related facilities. NHHEFA achieves this purpose primarily through the issuance of bonds. Since 1989 all USNH bonds have been issued through NHHEFA. None of USNH's NHHEFA bonds provide for a lien or mortgage on any property. USNH is obligated under the terms of the NHHEFA bonds to make payments from revenues received from certain housing, dining, union, recreational, and other related revenue generating facilities. The state is not liable for the payment of principal or interest on the NHHEFA bonds, nor is the state directly, indirectly or contingently obligated to levy or pledge any form of taxation whatsoever or to make any appropriation for their payment. USNH is in compliance with all covenants specified in the NHHEFA bonds, the most restrictive of which is maintenance of a debt-service coverage ratio, as defined, of at least 1.1 to 1. A description of each NHHEFA bond issuance and all related interest rate swaps follows:

Series 2001 Bonds and interest rate swaption

On March 1, 2001 NHHEFA issued \$151,210,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2001 (2001 Bonds). A portion of the 2001 Bonds was refunded by the Series 2005B Bonds described below. The remaining face value of the 2001 Bonds is \$52,995,000, and is shown above net of unamortized original issue discount. Interest is due semi-annually at fixed effective rates of 3.6% to 5.1%. Principal is due annually through July 2033.

USNH entered into a swaption agreement on December 15, 2006 that gives the counterparty the option to require USNH to enter into a swap agreement 60 days before the call date of the 2001 Bonds, July 1, 2011. If executed, the notional amount of the swap would be tied to the then-outstanding balance of the 2001 Bonds (expected to be \$42,570,000), and USNH will be required to pay the counterparty a fixed rate of 4.5% while receiving a floating rate of 67% of one month LIBOR from the counterparty, and USNH would plan to issue variable rate debt to replace the 2001 fixed rate bonds. The unrestricted swaption proceeds (\$2,948,000) are invested as funds functioning as endowment. The remaining swaption liability (\$2,412,000) is a component of long-term debt and is being amortized to interest income over the remaining term of the underlying bonds.

Series 2002 Bonds

On April 2, 2002 NHHEFA issued \$42,715,000 of Refunding Revenue Bonds, University System of New Hampshire Issue, Series 2002 (2002 Bonds), shown above net of unamortized original issue premium. Proceeds from the 2002 Bonds were used to complete an advance refunding in the form of an "in-substance defeasance" of bonds originally issued in 1992. Interest is due semi-annually at fixed effective rates of 5.1% to 5.3%. Principal is due annually through July 1, 2020. The bonds are callable on July 1, 2012.

Series 2005A Bonds and interest rate swap

On January 20, 2005 NHHEFA issued \$65,000,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2005A (2005A Bonds), shown above net of unamortized original issue discount. Proceeds from the 2005A Bonds were used to partially finance construction of student fee-supported facilities on USNH campuses at Durham, Keene and Plymouth. The 2005A Bonds are multi-modal, were initially issued in 35 day variable auction rate mode, were converted to seven day variable auction rate mode in January 2006, and were subsequently converted to daily variable rate demand bonds in March 2008. In conjunction with the 2008 conversion, USNH terminated its bond insurance contract and entered into a one-year standby bond purchase agreement. In March 2009 USNH began providing daily self-liquidity coverage for the Series 2005A Bonds. USNH maintains 1.5 times the outstanding bond balance in SEC Rule 2A-7 compliant money market funds on a daily basis, and provides monthly reports detailing the liquid investment balances to Moody's and Standard and Poors in this regard. Because USNH is providing self-liquidity for the Series 2005A Bonds, the total outstanding liability for this issue is classified as a current liability in accordance with GASB interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*. However, the actual repayment terms provide for principal payments to be made annually through July 1, 2035. The associated variable interest rates at June 30, 2009 and 2008 were 0.3% and 1.7%, respectively.

USNH entered into a floating-to-fixed interest rate swap agreement with a notional amount tied to the outstanding balance of the 2005A Bonds. The purpose of the swap agreement was to effectively convert the floating variable rate on the 2005A Bonds to an estimated all-in synthetic fixed rate of approximately 3.9% through July 2035, the final maturity date of the underlying bonds. Under the terms of the swap, USNH makes fixed rate interest payments to the swap counterparty and receives a variable rate payment based on 67% of one month LIBOR. The original counterparty to this swap agreement, Lehman Brothers, filed for bankruptcy in September 2008. USNH terminated the swap agreement with Lehman Brothers and contracted with a new counterparty under identical terms in October 2008.

Series 2005B Bonds and interest rate swap

On August 1, 2005 NHHEFA issued \$97,360,000 of Refunding Revenue Bonds, University System of New Hampshire Issue, Series 2005B (2005B Bonds), shown above net of unamortized original issue discount. Proceeds from the 2005B Bonds were used to complete an advance refunding in the form of an "in-substance defeasance" of \$87,480,000 of the 2001 Bonds. The proceeds of the 2005B Bonds were placed in an escrow fund and invested in government obligations with scheduled maturities which, when combined with interest thereon, will be used to make required interest and principal payments until the redemption date of the refinanced bonds on July 1, 2011. The 2005B Bonds are multi-modal, were initially issued as seven day variable rate demand bonds, and were subsequently converted to daily variable rate demand bonds in April 2008. In conjunction with the conversion, USNH terminated its bond insurance contract and entered into a new standby bond purchase agreement. The associated variable interest rates at June 30, 2009 and 2008 were 0.3% and 2.9%, respectively. Principal is due annually through July 1, 2033.

In connection with the issuance of the Series 2005B Bonds, USNH entered into a forward floating-to-fixed interest rate swap agreement with a notional amount tied to the outstanding balance of the bonds. The purpose of the swap agreement was to effectively convert the floating variable rate on the 2005B Bonds to an estimated all-in synthetic fixed rate of 3.5%. USNH makes fixed rate interest payments to the swap counterparty and receives a variable rate payment based on 63% of one month LIBOR plus 29 basis points.

Series 2006A Bonds

On March 2, 2006 NHHEFA issued \$24,350,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2006A (2006A Bonds), shown above net of unamortized original issue discount. Proceeds from the 2006A Bonds were used to finance the completion of construction of student fee-supported facilities on USNH campuses at Durham, Keene and Plymouth begun with the 2005A Bonds. The 2006A Bonds were initially issued in seven day variable auction rate mode, and were converted in March, 2008 to a term rate mode at a fixed rate of 3.0% for a period of one year. At the expiration of that term, the 2006A Bonds were fully refunded through the proceeds of the Series 2009A Bonds as noted below.

Series 2006B-1 Bonds

On March 2, 2006 NHHEFA issued \$120,650,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2006B (2006B Bonds). Proceeds from the 2006B Bonds were used to finance the completion of construction of student fee-supported facilities on USNH campuses at Durham, Keene and Plymouth begun with the 2005A Bonds. Part of these bonds were remarketed as fixed rate bonds in 2007, and are now known as the Series 2006B-2 Bonds as noted below. The remaining face value of the 2006B Bonds, \$60,050,000, became known as the Series 2006B-1 Bonds and is shown above net of unamortized original issue discount. The 2006B-1 Bonds were initially issued in seven day variable auction rate mode, and were converted in March 2008 to a term rate mode at a fixed rate of 3.0% for a period of one year. At the expiration of that term, the 2006B-1 Bonds were fully refunded through the proceeds of the Series 2009A Bonds as noted below.

Series 2006B-2 Bonds

On January 26, 2007 NHHEFA remarketed \$60,000,000 of University System of New Hampshire Issue, Series 2006B Bonds as the University System of New Hampshire Issue, Series 2006B-2 Bonds (2006B-2 Bonds), changing the variable rate to an all-in fixed rate of 4.1%. The remarketing generated a premium of \$4,046,000, which was a component of debt proceeds held by others for construction purposes at June 30, 2007, and fully expended by June 30, 2008. The premium will be amortized to interest income over the remaining term of the bonds. Principal is due annually through July 1, 2036, with a call date of July 1, 2016.

Series 2007 Bonds

On February 6, 2008 NHHEFA issued \$46,570,000 of Taxable Revenue Bonds, University System of New Hampshire, Series 2007 (2007 Bonds), shown above net of original issue discount. Proceeds from the 2007 Bonds are being used to finance ECOLine, the landfill gas pipeline project designed to provide up to 85% of the UNH Durham campus' heating, cooling and electricity needs with renewable energy. Interest is due semi-annually at a fixed rate of approximately 5.0%. All principal is due upon expiration of the bonds on July 1, 2018.

Series 2009A Bonds

On March 25, 2009, NHHEFA issued \$105,650,000 of Revenue Bonds, University System of New Hampshire Series 2009A (2009A Bonds), net of premium. The majority of the proceeds of the 2009A Bonds were used to fully refund the 2006A and 2006B-1 Bonds. The remaining funds, \$24,444,000, are being used to finance the construction and renovation of student-related, revenue-producing projects at the three residential campuses. The 2009A Bonds were issued in four "bullet" maturities at fixed coupon rates ranging from 4.0% to 5.5%. A portion of the coupons mature in 2014, 2016, and 2020, with the remainder maturing on July 1, 2023. Interest is due semi-annually, and principal is due at the maturity date of each bullet.

Capital leases

On April 30, 2004, USNH entered into a capital lease agreement to finance \$18,387,000 of equipment for UNH's utility cogeneration facility. The related lease principal and interest

payments are due quarterly through June 2025 at a fixed interest rate of 4.5%. Other leases relate to various property and capital equipment acquisitions. Terms range from monthly to annual payments over 3 to 20 years, with fixed interest rates between 4.0% and 7.0%.

Long-term debt obligations are scheduled to mature as follows using the associated fixed, estimated synthetic fixed, and expected variable rates in effect as of June 30, 2009 over the remaining term of individual issuances (\$ in thousands):

Fiscal Year	Principal	Interest	Total
2010*	\$ 71,090	\$ 17,485	\$ 88,575
2011	9,463	20,656	30,119
2012	9,938	20,386	30,324
2013	10,503	19,657	30,160
2014	10,113	19,326	29,439
2015-2019	150,877	81,417	232,294
2020-2024	118,407	45,607	164,014
2025-2029	40,874	22,345	63,219
2030-2034	43,635	11,438	55,073
2035-2039	10,150	1,470	11,620
	475,050	259,787	734,837
Less: unamortized deferred loss, discount/premium, net	(172)		(172)
Total	\$474,878	\$259,787	\$734,665

* 2005A Bond discount and related amortization included with current portion.

Valuation of swaps

The estimated fair value of the interest rate swaps and swaptions associated with the Series 2005B, Series 2005A, and Series 2001 Bonds discussed above was a net liability of \$18,601,000 and \$7,264,000 at June 30, 2009 and 2008, respectively. This represents the estimated value of the swap agreements if terminated by USNH, taking into account interest rates at the close of business on June 30, 2009 and 2008. In accordance with governmental accounting standards, this amount is not recorded in the accompanying financial statements.

State of NH general obligation bonds

The state, through acts of its legislature, provides funding for certain major plant facilities on USNH campuses. The state obtains its funds for these construction projects from general obligation bonds, which it issues from time to time. Debt service is funded by the general fund of the state, which is in the custody of the State Treasurer. The state is responsible for all repayments of these bonds in accordance with bond indentures. USNH facilities are not pledged as collateral for these bonds and creditors have no recourse to USNH. Accordingly, the state's debt obligation attributable to USNH's educational and general facilities is not reported as debt of USNH. As construction expenditures are incurred by USNH on state-funded educational and general facilities, amounts are billed to the state and recorded as State of New Hampshire capital appropriations.

9. Commitments and contingencies

USNH is self-insured for a portion of certain risks, including workers' compensation, employee long-term disability, and certain student health insurance claims. The related liabilities recorded in the financial statements are developed by management based upon historical claim data, and in the opinion of management are expected to be sufficient to cover the actual claims incurred. General liability insurance, property insurance, and other insurance coverages provide for large claims incurred. Settlements below the relevant deductible amounts are funded from unrestricted net assets.

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

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

USNH is providing self-liquidity for the 2005A Bonds as discussed in Note 8 above. USNH maintains 1.5 times coverage of the bonds outstanding in same-day liquid investments (approximately \$93,000,000 at June 30, 2009) to be used to pay bondholders in the event the bonds are not successfully remarketed.

10. Net assets

The table below details USNH net assets as of June 30, 2009 and 2008 (\$ in thousands):

	2009	2008
Invested in capital assets, net of related debt	\$476,041	\$430,055
Restricted		
Nonexpendable		
Historic gift value of endowment-campus	75,544	63,216
Historic gift value of endowment-affiliated entities	103,432	99,236
Total restricted nonexpendable net assets	178,976	162,452
Expendable		
Held by campuses:		
Accumulated net gains on endowment	15,219	45,606
Fair value of funds functioning as endowment	10,092	13,465
Gifts, grants and contracts	18,602	19,801
Life income and annuity funds	63	144
Loan funds	6,331	6,332
Held by affiliated entities:		
Accumulated net gains on endowment	(2,614)	23,632
Other	7,210	6,828
Total restricted expendable net assets	54,903	115,808
Unrestricted		
Held by campuses:		
Current funds		
Educational and general reserves	33,029	24,355
Auxiliary enterprises	24,981	24,868
Internally designated	19,161	24,378
	77,171	73,601
Unrestricted loan funds	1,318	1,287
Unexpended plant funds	55,859	60,452
Fair value of unrestricted funds functioning as endowment	23,001	37,642
Unrestricted net assets held by campuses, before postretirement medical liability	157,349	172,982
Unfunded postretirement medical liability	(46,645)	(50,892)
Held by affiliated entities:		
Quasi-endowment fund - affiliates	801	1,088
Unfunded postretirement medical benefits	(208)	(183)
Unexpended plant funds - affiliates	269	13
Other unrestricted balances - affiliates	2,756	2,152
Total unrestricted net assets	114,322	125,160
Total net assets	\$824,242	\$833,475

11. Endowment return used for operations

As detailed in Note 4, the majority of endowment funds are invested in one of two investment pools using the unit share method. The return appropriated for spending and administration from the USNH endowment pool was 4.9% and 5.4% of the twelve-quarter moving average of the investments' market value per unit for 2009 and 2008, respectively. The return appropriated for spending and administration from the UNHF endowment pool was 5.3% and 5.5% of the twelve-quarter moving average of the investments' market value per unit for 2009 and 2008, respectively. During 2009 and 2008, if individual endowment funds had fair values less than the historic gift value as of the beginning of the calendar year, the distribution was limited to a maximum of the estimated yield (dividends and interest) on the invested assets. As discussed in Note 1 the provisions of UPMIFA have been adopted and will impact endowment distributions beginning in fiscal year 2010.

The annual spending formula for endowment return used for operations is designed to provide sustainable continued future support for ongoing programs at current levels assuming moderate inflation. To the extent that endowment yield is insufficient in any one year to meet the required spending distribution, accumulated net gains are utilized to fund the distribution.

The components of endowment return used for operations for 2009 and 2008 are summarized below (\$ in thousands):

	2009	2008
Pooled endowment yield - campuses	\$ 1,661	\$ 2,729
Pooled endowment yield - affiliates	1,495	3,244
Trusts, life income and annuities yield	348	988
Gains utilized to fund distribution	9,797	4,667
Endowment return used for operations	\$13,301	\$11,628

12. Other investment income (expense)

As part of its ongoing cash management practices, USNH purchased commercial paper investments with the highest possible ratings from Moody's and S&P with a total par value of \$16,605,000 in early August 2007. The investments were purchased for \$16,544,000 with 30 to 40 days to maturity, and were scheduled to mature on or before September 17, 2007. Both investments were downgraded subsequent to purchase by USNH and were ultimately placed in receivership.

For the 2008 financial statements, management applied certain valuation techniques based on publicly available information on the underlying assets of the commercial paper investment. As a result of these calculations USNH recorded unrealized depreciation of operating investments on the Statement of Revenues, Expenses and Changes in Net Assets of \$9,900,000 as of June 30, 2008. Management filed a formal complaint against the securities broker with the State of New Hampshire's Bureau of Security Regulation which was subsequently settled in March 2009. The net recovery received by USNH during 2009 was \$9,021,000.

13. Operating expenses by function

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

	Compensation	Supplies and services	Utilities	Internal allocations	Depreciation	2009 Total	2008 Total
Campuses – current funds							
Instruction	\$177,020	\$ 21,580	\$ 64	\$ 853	\$ -	\$199,517	\$190,123
Research & sponsored programs	67,998	34,496	36			102,530	102,797
Public service	6,721	2,081	8	1,517		10,327	10,626
Academic support	38,095	14,806	6	(4,574)		48,333	46,831
Student services	22,147	10,323	9	6,926		39,405	37,812
Institutional support	37,408	11,769	38	(11,282)		37,933	36,569
Operations & maintenance	25,514	14,587	25,419	(37,129)		28,391	29,276
Auxiliary student services	48,352	43,168	138	43,634		135,292	124,507
Subtotal-current funds	423,255	152,810	25,718	(55)		601,728	578,541
Campuses – other funds	410	9,338	63		42,947	52,758	50,745
Affiliated entities	8,240	6,310	242	55	926	15,773	14,516
Total	\$431,905	\$168,458	\$26,023	-	\$43,873	\$670,259	\$643,802

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

AS OF SEPTEMBER 2009

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