

STANDARD NINE: FINANCIAL RESOURCES

Because of the nature of this standard, some of what might be considered as *Appraisal* is addressed in the *Description*, which includes structure, policies, procedures, some brief history, current status, and response to fluctuations in the marketplace. Much of the data explicating UNH's financial resources is captured more fully in web pages, policy excerpts, and financial reports, all of which are appended.

Description

The University of New Hampshire comprises 70% of the University System of New Hampshire's financial context. For example, we account for [71% of the overall System budget of \\$926 million](#) (see page 28 of the USNH 2013 Annual Report) and 56% of the [total student enrollment](#) of 28,931. UNH's financial situation, then, both deeply affects and is affected by the University System.

The [University System office](#) includes staff who perform the following financial operations, and who report through the chancellor to the USNH Board: treasurer, controller and accounting, internal audit, debt management and staff to the USNH Investment Committee. The USNH Vice Chancellor and the Campus Chief Financial Officers sit as a [Finance Executive Council](#) (FINEC) to coordinate implementation of the Board of Trustees' financial policies. Each campus is responsible for managing its financial affairs within these policies and a few key ratios: operating margin, unrestricted net financial resources to debt and annual budget parameters that may set limits on prices and expense growth. Within this system of shared responsibility for fiscal management, UNH provides sufficient financial resources to sustain the quality of our educational programs and sufficient financial resources to support institutional improvement now and in the future. We provide here verifiable internal and external evidence of our capacity to graduate our entering class. Finally, we provide examples of how we administer our financial resources with integrity.

The paragraphs below address each of these statements. Direct links are provided to support our claim. Financial materials, in general, are housed in the office of the Vice President for Finance and Administration (VPFA).

The historical record in achieving our goals provides the best evidence of sufficient financial resources to meet key financial strategic indicators that can be compared with ratings of comparable institutions provided by the Moody's rating agency. We have annual targets for two key measures of fiscal health: operating margin, and unrestricted financial resources to debt. The history of UNH performance is shown in the [five year history](#) of each of these measures compared to the Moody's median. Recent written reports on the University System of New Hampshire in conjunction with issuance of debt by [Moody's](#) and [Standard & Poor's](#) provide further external evidence of competent financial management. [Externally audited financial statements](#) for the last five years demonstrate fiscal health despite the 2007-2010 US financial crises and a significant \$33 million per year reduction in the UNH state operating appropriation in FY 2012 and 2013.

The following are some key highlights of effective financial performance over the past five years:

Key Financial Indicators by Year (000)						
	FY2009	FY2010	FY2011	FY2012	FY2013	Five Year Average
Full time credit enrollment in the fall of each year	13,925	14,250	14,211	14,335	14,500	14,244
USNH operating margin	3.6%	2.3%	3.5%	3.5%	6.2%	3.82%
UNH operating margin	1.3	1.6	1.9	2.9	6.4	2.82
USNH unrestricted financial resources to debt	24%	31%	45%	52%	64%	43.4%
UNH unrestricted financial resources to debt	28.2%	36.8%	48.1%	54.8%	67.6%	47.1%
Consistent growth in net assets	\$581,342	\$631,240	\$687,090	\$713,448	\$784,352	+35%
	Unrestricted Institutional Financial Aid Per Year (000)					

We demonstrate our commitment to support institutional improvement in several ways:

1. Consistent investment in reversing the effects of deferred maintenance of facilities as seen in the Capital Investments – Facilities from FY04 through FY13 in the chart below. See also Standard 8.
2. The capacity to increase financial aid to worthy students as indicated by the growth in [need- and merit-based financial aid](#) for the last ten years.
3. Growth in responsibility centered unit ([RCM](#)) [reserve levels](#) and [FY13 debt coverage ratio](#) in excess of requirements. These indicators demonstrate flexibility at the unit level to respond to rainy day events and to have funds set aside to invest in new strategic investments. Growth in reserve levels is reported over the past ten years, and a calculation of RCM reserves is depicted as a percentage of each unit’s annual operating budget.

The following chart reflects our investment in facilities from FY 2004-2008 (summed) and per year from FY 2009-2013. It is a good illustration of UNH’s capacity to invest in physical assets while maintaining positive operating margins. (See also Standard 8.)

Capacity to invest in physical assets while maintaining positive operating margins:
Capital Investment - Facilities

	Five Years (2004-2008)	FY2009	FY2010	FY2011	FY2012	FY2013
New Buildings						
Gables Apartments	36,600,000					
Housing Office	3,300,000					
Southeast Residential Community	49,800,000					
DeMeritt Hall	19,900,000					
Chase Ocean Engineering addition	2,500,000					
Marine Research Facility	11,400,000					
Flow Physics Facility			2,800,000			
Paul College of Business					15,000,000	35,000,000
Renovation/Expansion						
Kingsbury Hall 73,000/135,000	56,300,000					
Philbrook Hall 5,000/11,800	5,800,000					
James Hall 53,800/22,500		34,200,000				
Renovations						
Cole Hall	2,500,000					
Philbrook Hall	3,700,000					
Thompson Hall	4,700,000					
Stillings Hall	2,300,000					
Fairchild Hall	8,500,000					
New Hampshire Hall	4,900,000					
Indoor track and Mooradian Field	1,000,000					
Intermodal Station	1,000,000					
Adams Tower East	1,820,000					
Swasey Pool			1,000,000			
Jackson Lab and Coastal Lab			2,600,000			
Whittemore Center Arena			1,700,000			
Adams Tower West						
Smith Hall				1,900,000		
Woodside Apartments				1,100,000		
Police Station					1,500,000	
Parsons Hall					25,600,000	24,000,000
Annual repair and adaptation of facilities						
Utility and Infrastructure						
Central Power/CoGen Plant	28,300,000					
South Underpass	8,700,000					
Main Street East improvements	1,900,000					
EcoLine Plant, pipeline, generator	48,800,000					
Outer Recreation fields		2,100,000				
Main Street West improvements			1,100,000			
Steam line extension to Philbrook				1,400,000		
Total Capital Investment	303,720,000	36,300,000	9,200,000	4,400,000	42,100,000	59,000,000

Having sufficient resources in the future demands a response to the stresses of a changing environment for higher education, one in which prevailing price points and costs of degrees will be challenged and may have to decline in relation to growth in the economy. These stresses will further challenge UNH to reinvent itself as a more flexible and innovative university in order to be able to adjust and respond to market demands. The [UNH Strategic Plan of 2010](#) lays the groundwork for fiscal responses to changing conditions. In addition, the Board of Trustees requires UNH to construct a Multi-Year Financial Plan linked to its institutional strategic plan. These plans were deemed so important that the Board conducted a two-day planning retreat in September of 2012 and 2013 at which UNH presented its strategic plan update with all key planning assumptions listed in a 10-page [UNH Strategic Issues Briefing Summary](#) and [our mission clarity](#). The presentations from the two September meetings updated the Board on progress in implementing the 2010 plan. The following planned actions were highlighted: (1) Strengthen the UNH brand. (2) Deepen research and increase commercialization. (3) Strengthen and diversify enrollment. (4) Complete a successful fundraising campaign. For each of the planned action implementations, specific goals and expected results were given. For example, a goal for (1) was to strengthen the UNH brand among New Hampshire citizens, alumni, students, parents, and prospective students. Expected results included increased undergraduate visits, applications, and enrollments from select geographic areas, an increase in web traffic and use of other social media, as well as evidence of other improved campaign and marketing metrics. The Board of Trustees was uniformly impressed with the UNH vision, mission and progress against the 2010 plan. They acknowledged the initial efforts at establishing metrics of success and encouraged further development and specificity. The latter constitute an ongoing activity at UNH. Several of the goals articulated in the Briefing Summary are addressed within the appropriate standards in this Self Study.

Financial integrity is manifest in several key ways, as noted in the following three paragraphs.

The UNH Responsibility Centered Management (RCM) system localizes within 20+ units the responsibility to balance revenues and expenses and to build operating margins. The system has a fair and robust method for allocating revenues and expenses to each unit. The current [RCM manual](#) spells out policies and procedures. Since RCM's adoption in 2002, recent [RCM reviews](#) and adjustments to the formula methodologies indicate attention to self-improvement and updating.

All academic and administrative departments perform systematic reviews of performance to, in part, ascertain if resources are being deployed efficiently and effectively, and to a purpose consistent with the institutional strategic plan. Common review instruments are used for [academic reviews](#) and for [administrative reviews](#).

In order to support our RCM system and to achieve local financial controls and efficiencies, UNH established [Business Service Centers](#) (BSCs). The BSCs carry out the management of the institution's finances at a level where there is the greatest understanding of current circumstances. The BSCs are composed of well-qualified and trained personnel who can assure implementation of policy at a grass roots level. Further, the BSCs are best positioned to record the day-to-day transactions of the institution in the most accurate manner. The university and system hire staff qualified for this work as indicated by the biographies of UNH and USNH financial staff.

The university provides internal oversight of financial planning and decision making through the [Budget and Financial Planning Group](#), [the Provost's Council](#), and [the President's](#)

[Cabinet](#) in supporting the University, rewarding excellence, and upholding the UNH mission. Oversight of the student fee process occurs through a [Student Financial Affairs Committee](#) culminating in a discussion with the Trustee Financial Affairs Committee in April each year.

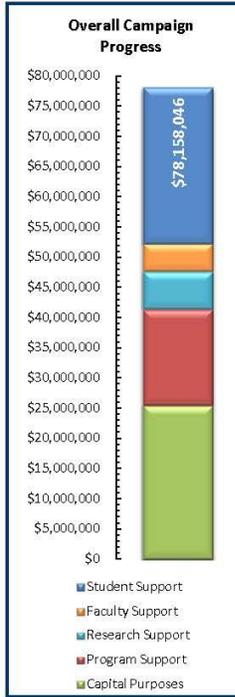
A well-developed, five-person internal audit function within USNH reports to the Board and is based on UNH's Durham campus. This group coordinates with the external auditors and annually conducts a risk-based plan of audits and consultation projects. Internal and external annual audits test and document the mechanisms of financial management, risk management, and internal control, including assessment to determine if policies and official procedures are adequate and if practices comply with them. Formal audit reporting includes management's written responses to audit comments and recommendations. Internal Audit tracks management's follow-through on action plans and reports the status of any significant outstanding audit issues semi-annually to the Audit Committee of the Board of Trustees until the underlying risks have been adequately addressed. [Audits](#) have been conducted and formally reported for the past two decades that involved monitoring related to UNH's financial management, integrity, and operational effectiveness as well as USNH central systems and controls on which UNH relies.

Additional checks and balances that are sufficient to provide consistency and compliance with regard to our fiscal policies include the Controller Office's regular monitoring of transactions for compliance and interaction with RCM units as required, and the VPFA office's staff that serves as a resource to the RCM units.

Finally, the university has in the last five years significantly increased our investment in building a culture of philanthropy to support our mission. These investments include: a new installation of the Banner advancement information system; a 50% increase in the size of the advancement organization; and a reorganization that unites development, communications and marketing, and alumni relations in one organization with one leader who is also the president of the UNH Foundation. The Foundation conducts the fundraising activities for UNH according to a set of policies and procedures that support our mission and strategic plan, while accurately portraying needs for and use of funds to donors and following sound practices of gift acceptance. The [Foundation webpage](#) publicly states its investment philosophy, "gifts at work," honor roll of supporters, and annual financial report. The [UNH gift webpage](#) indicates how to make a gift and also provides the honor roll and annual financial report to supporters. Gifts offered online and by mail are linked directly to the intended offices. Further, UNH demonstrates sound financial practice by leveraging donor contributions. For example, the new Peter T. Paul College of Business and Economics that opened a new 115,000 square foot building in 2013 financed by a \$25M gift from Mr. Paul was matched by \$5M of other private donations and the balance from university resources. Key finance-related [advancement policies](#) of the University System of New Hampshire and the University of New Hampshire Foundation are appended.

These investments in building a culture of philanthropy are evidenced by the Advancement dashboard results for FY 2013 shown below.

Campaign Progress to Date



Donors to Date

\$1M+	15
\$500K-1M	9
\$100K-500K	54
\$25K-100K	152
\$1K-25K	1,048
\$501-1K	748
\$101-500	4,796
\$0-100	11,622



Fiscal Year Progress



Development Activity

Proposals	
FY Planned Proposals	Total Submitted
\$50,450,000	\$40,486,976
Submitted - Pending	Total Granted
\$46,231,300	\$18,966,873
Development Officer Visits	
Actual	% to Goal
1321	82%

Donor Summary

# of Donors	20,608	↑ 6.6%
Alumni Participation Rate	7.2%	↓ 3.2%
A.F. Retention Rate	52.8%	↓ 6.3%
Avg. Commitment Size	\$2,386	↑ 26.8%

Note: Colored arrows indicate percentage increase/decrease over same period previous year.

Highlights

The university exceeded its fundraising goal by more than 7.5 million dollars this year, finishing the year at \$35.8 million (compared to last year's \$22.5M). One driver of this success was the closing of 8 donations of one million dollars or more, surpassing the record of 6 achieved in 1999 – the first year of the last campaign.

Donors contributing at the level of \$1M or more this year included: Dorothy A. Bean, The Thomas W. Haas Fund, John and Carol Hubbard, Joseph and Nancy Paterno, Peter T. Paul, John H. Smith, The Estate of Marilyn K. Rumley, and Ellis A. Woodward.

Other key development activities also played a role in this year's success: development officers completed 200 more visits with prospects this year over last, and major gifts officers submitted more than double the dollar value of proposals (\$15.1M in FY12 vs. \$34.8M in FY13).

Though alumni participation was down slightly, participation by other groups increased resulting in an overall increase in donors. In particular we saw significant growth of our parents fundraising program this year reflecting tighter integration of the Parents Program with Advancement as well as continuing growth of our student phonathon and better data acquired earlier in the year.

Appraisal

The University of New Hampshire is fiscally sound and able to sustain the quality of our educational program and support institutional improvement now and in the foreseeable future. UNH resources are managed with integrity using widely accepted procedures that follow sound financial practices. Reports are filed in a transparent manner, in keeping with expectations of a public land grant institution.

Appraisal of [biographies](#) of UNH and USNH personnel who handle financial matters indicates that they are well qualified. All hold business-related degrees, have engaged regularly in professional development activities, and have a long history of professional experience.

UNH does a good job of handling its financial resources. Review of appended exhibits indicate our strong performance on key financial ratios, a financial and management strength corroborated by the reports of Moody's and Standard and Poor's that periodically examine the USNH and UNH financial condition and our financial management practices when they rate our bonds. A recent example of our financial health occurred after the State of New Hampshire cut our operating appropriation by \$33M, a 48% cut. The state appropriation is now less than 7% of the UNH operating budget. Over fiscal years FY 2012 and FY 2013 we were able to manage the

cuts through early retirement programs; a hiring freeze with a careful President's Cabinet-level review of positions that resulted in filling only those deemed most critical to the mission and strategic plan; instituting a process reengineering program; and implementing over 100 activities to accelerate achievement of our strategic plan, particularly those elements that will create new sources of revenue or sustain existing sources.

While we are confident in our fiscal strengths, we and the University System Board of Trustees Audit Committee also believe that in these most uncertain of times in higher education we must engage in a more systematic process to assess and manage risks to our strategic plan. USNH Audit Committee has made a request of all campuses to complete a risk assessment heat map that will display a measure of major risks we are managing in five clusters:

Student Enrollment (shifting demographics, tuition levels and affordability, student indebtedness, diversity [especially racial cultural, geographic]); Economic (fund-raising, state operating support, capital needs funding, net tuition, revenue diversification); Campus Environment (infrastructure and facilities, safety and accessibility, community relations, appeal to students and visitors, sustainability); Emergency Management (campus-wide crisis, building-specific disaster, threatening behavior incident, IT operational shutdown, informational security breach); Other (brand recognition and value, research/commercialization, new educational delivery modes, governance/management teams and transitions, academic quality and accreditation)

The matrix for this assessment, when completed in January 2014, will assign a number to each risk category according to the following scheme: 5-Major concern and high risk requiring immediate attention and new resources (red); 4-Major concern and high risk being addressed with current resources (yellow or green); 3-Moderate concern and risk requiring less urgent attention or modest resources (yellow); 2-Moderate concern and risk being addressed with current resources (green); 1-Not an immediate concern; very low risk (green). The campuses are invited to provide a narrative page, where appropriate, to define any risks or explain their ratings further. It is expected that this matrix will serve as a vehicle for ongoing dialogue; discussion and action to better manage risk. The Risk Management Assessment is the subject of reference for the Projection given below.

Projection

The Vice President for Finance and Administration will oversee completion of a Risk Management assessment at the behest of the USNH Board of Trustees in spring, 2014.

Institutional Effectiveness

The key mechanisms we employ to evaluate our financial condition and management are internal and external audits, agency rating reviews by Moody's and Standard and Poor's financial service bench marking through professional associations (e.g., housing, dining facilities), proactive process reengineering to constantly seek new economics and efficiencies, and seeking out best practices through active membership and participation in The Educational Advisory Board. These metrics and procedures are applied consistently and effectively.

[STANDARD NINE DATA FIRST FORMS](#)