BerryDunn

COMMUNITY COLLEGE
system of New Hampshire

(A Component Unit of the State of New Hampshire)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2020 and 2019

With Independent Auditor's Report

COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE
(A Component Unit of the State of New Hampshire)

Reports on Audits of Financial Statements and Supplementary Information

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Community College System of New Hampshire
(A Component Unit of the State of New Hampshire)

We have audited the accompanying financial statements of the business-type activities and the discretely-presented component unit of the Community College System of New Hampshire (a Component Unit of the State of New Hampshire) (CCSNH) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely-presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely-presented component unit, is based solely on the report of the other auditor. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, except that the financial statements of the discretely-presented component unit were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audits and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely-presented component unit of CCSNH as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 3 through 20 and the required supplementary information on pages 56 through 61 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 on our consideration of CCSNH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CCSNH's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCSNH's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 20, 2020

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) includes the strategic vision and economic outlook as well as an analysis of the financial position and operations for the Community College System of New Hampshire (CCSNH) for the fiscal years ended June 30, 2020, 2019 and 2018. This discussion is provided by the management of CCSNH and should be read in conjunction with the financial statements and notes.

The New Hampshire State Legislature, through the passage of Chapter 361, Laws of 2007, established CCSNH as a body politic and corporate for the purpose of providing a well-coordinated system of public community college education. Governance of CCSNH was placed with a single Board of Trustees which serves as its policy-making and operating authority.

CCSNH is a state-wide system of seven independently accredited institutions including White Mountains Community College (WMCC), Lakes Region Community College (LRCC), River Valley Community College (RVCC), NHTI – Concord's Community College, Manchester Community College (MCC), Nashua Community College (NCC) and Great Bay Community College (GBCC), as well as five academic centers in Keene, Littleton, Rochester, North Conway and Lebanon, New Hampshire.

The financial statements include the activity of the Community Colleges of New Hampshire Foundation (the Foundation), which is a separate legal entity established as a 501(c)(3) corporation and is a discretely-presented non-major component unit of CCSNH. The Foundation's mission is to provide greater access to educational opportunities through financial assistance for student scholarships, program development, and enhancements to college facilities. The MD&A includes information only for CCSNH, not its component unit. Complete financial statements of the Foundation can be obtained from CCSNH's system office.

STRATEGIC VISION AND ECONOMIC OUTLOOK

<u>CCSNH Mission, Vision and Goals</u>

Fiscal year 2020 was characterized by disruption from the coronavirus pandemic. Although COVID-19 certainly necessitates revisiting institutional strategy – and, as a result, enrollment management, academics, facilities, and investments – the student success principles, and the tech-enabled pathways strategies that have supported them thus far, only become more crucial. CCSNH has instituted many student success reforms, including co-requisite based remediation, student GPS, block scheduling and year-long schedules. These initiatives do not need to change but indeed are more needed due to the COVID pandemic. For example, offering curriculum that transfers seamlessly is only *more* important when students are transient, moving within and in-and-out of state. Academic pathways that are on-ramps to career pathways are *most* critical when unemployment is high. Indeed, students must complete certificates and degrees when the types of jobs that require little academic training, such as those in retail, evaporate, leaving middle-skill and beyond the jobs of the future. Using software for recruitment, registration, academic planning, and advising is only more critical as remote instruction and operations becomes part of a new, post-pandemic normal.

As changes CCSNH anticipated through its academic and student service improvements accelerate far faster than expected, so to must these improvements meant to address them.

With these considerations, CCSNH redoubles its efforts on mission fulfillment. CCSNH's mission is to provide residents with affordable, accessible education and training that aligns with the needs of New Hampshire's businesses and communities, delivered through an innovative, efficient, and collaborative system of colleges. CCSNH is dedicated to the educational, professional, and personal success of its students; a skilled workforce for our state's business; and a strong New Hampshire economy. CCSNH explicitly dedicates itself to supporting educational access and success, contributing to the State's communities, and to its economic and social vitality.

To maintain New Hampshire's positive historical economic indicators, including low unemployment and high per capita income, the State will need 65 percent of adults with education beyond high school. CCSNH is committed to achieving this vision by 2025. CCSNH acts as an engine for the State's economy, graduating students with certificates and degrees of economic value to New Hampshire. The more students who attend, particularly from the existing workforce, the more quickly our State moves towards educational attainment rates required to meet new labor-economic needs.

Our Colleges are poised to meet these workforce challenges. By launching careers, facilitating job mobility and promotions, and building seamless transfer to continued education at the baccalaureate level, CCSNH is in the business of making successful alumni. In order to maintain and grow our improved rates of student completion and **achieve 65 by 25**, we need to:

1. Assure clear pathways for students to credentials that lead to strong career prospects and continuing education, secured through partnerships with industry, four-year universities, and high schools; and,

2. Strategically meet enrollment needs for the state, including addressing the unique needs of our rural communities. Meeting the needs of rural communities requires CCSNH to close equity gaps between metro areas and less densely populated parts of the state, where educational attainment and income levels are not nearly as high.

CCSNH will enable student success and academic operations in support of the above goals through strong **financial operations** and conscientious stewardship of our **assets and resources**. We will accomplish this by:

1. Maintaining strong internal financial and facility controls and sustainability through sound budget, accounting, investment and procurement operations;

2. Establishing CCSNH as an employer of choice; and,

3. Using data and technology to support our attainment goals.

Curriculum with Economic and Transfer Value

COVID-19 threw conventional economic value modeling of academic programs into turmoil. Certain sectors with pre-pandemic positive prospects have been decimated by coronavirus fallout. Only some will return to normal, post-pandemic trajectories.

Teaching and learning are the bedrock of CCSNH's success, and students being employed with living wages or better in their area of study indicates whether we succeed here, as does transfer to baccalaureate at junior standing. In order to meet these goals, CCSNH must strive to keep its curriculum fresh and relevant through constant updates based on four-year university and employer and industry input. This demands an unprecedented rate of collaboration with the New Hampshire Department of Economic Security to ensure we stay abreast of weekly labor market fluctuations. All program descriptions, modifications, eliminations and introductions must consider the following attributes for ultimate approval:

- Career opportunities associated with program
- Data quantifying need for program change, elimination or introduction, including from labor economics sources such as NH Employment Security (NHES), EMSI (Labor Market Statistics), Bureau of Labor Statistics (BLS), or Burning Glass
- Job openings and wage information
- Proposed career steps upon workforce entry
- Evidence of early employer partnership
- List of job titles associated with program
- Evidence of early four-year partnership
- Narrative of community impact / need
- Baccalaureate institutions to which a program transfers
- Proposed student outcomes
- Semester-by-semester listing of courses students should take
- Similarities to other programs at CCSNH and potential enrollment impact

Our students also must be ready across multiple majors to transfer majority or all credits to nearby destinations. Our transfer strategy to four-year institutions builds on partnership with the University System, though not at the expense of other popular destinations for our students, including Southern New Hampshire University, Colby-Sawyer College, Rivier University, New England College, and St. Anselm College.

Since the coronavirus pandemic, CCSNH has heightened and tightened collaboration with our University System counterpart. The timing of such collaboration could not be better, as we are all on the same, superior platforms for online instruction. One recent, standout accomplishment during the pandemic was the joint procurement with the University System of New Hampshire (USNH) of all major learning management software products, including our existing learning management platform, Canvas. Here are three important enterprise software purchases made through joint contracts with USNH, inked in the last part of FY20:

Our existing learning management software, which students use as the primary means of accessing coursework, submitting homework, and receiving feedback and grades.

Video platform that integrates with Canvas so professors can easily produce – and students easily access – rich, multimedia pre-recorded lectures and more.

Standard videoconferencing software, used not only by employees, but often by faculty and students as well, as they transition to Kaltura.

To promote transfer to four-year institutions, CCSNH will continue to make strides in four areas in particular:

- **Pathways and articulation:** We will create clear, 8-semester, 2+2 maps to every program for which it makes sense at each four-year institution. Course equivalency and bolstering general education transfer across all degree types complements this effort.
- **Transfer support:** We will mitigate transfer shock for students moving from associate to baccalaureate level by creating connections between student services and faculty across CCSNH and USNH.
- **Data exchange:** CCSNH will facilitate information sharing at the transcript level to better understand student readiness for baccalaureate and to bolster reverse transfer of credit efforts.
- **Transfer mindset:** Staff across all programs will promote transfer fairs, campus tours, classroom visits, transfer advising, and related activity to increase awareness and attainment of baccalaureate success.

By accomplishing these four complementary aims, alongside continuing to strengthen vocationally oriented programs, CCSNH alumni will be successful in work and life.

<u>Student Success Performance</u>

CCSNH continues to make progress on the student success front, despite the pandemic. Although we graduated about 200 fewer students than last year, we hope to see that number rebound as many students are wrapping up credentials they typically would have completed last year, taking all needed coursework this fall and spring instead. Our retention rate is roughly flat relative to last year, which is a significant achievement considering how disrupted our students' lives have been. This retention is also testament to the great work of college advisors and financial aid officers to flexibly work with students, listening to and planning with them to keep them on track to meet their academic aspirations.

Our first-time, full-time student graduation rate is now 31 percent, which is higher than the published national average and all New England community college graduation rates. This is a very important metric for the Aspen Institute, which measures community college excellence, as well as for New England Commission of Higher Education (NECHE), U.S. Department of Education (ED), the Legislative Budget Assistant (LBA) and the press. Some of the remaining 69 percent dropped-out, but most students from the original cohort either transferred to a four-year university, graduated, or are still enrolled. This represents a fifth consecutive increase in graduation rate, and results from our reforms in developmental education, advising, textbook costs and other areas.

Enrollment overall is down about eleven percent heading into FY21, relative to FY20. From initial data, this seems roughly in line with the national average. This decline represents what we believe is a series of COVID-19 impacts with specific intersections between new/returning, rural/urban, and adult learner/traditional.

State and federal money came to CCSNH and to its students this June. These are explained below. We are hopeful there will be second funding cycles as part of a second stimulus package going both to states, and to higher education institutions directly.

<table>
<tr><td>U.S Department of Education - CARES Act</td><td>CCSNH was awarded almost exactly $6M in COVID-19 relief as part of the Coronavirus Aid Relief and Economic Security (CARES) Act. Half was disbursed as emergency aid to students and the other half to institutional support.
- Student aid did not cover tuition assistance. Students who had disruption to food, housing, or technology security because of the movement to remote instruction were eligible to receive emergency grants for those purposes.
- The institutional support portion of the CARES money was used towards technology expenses, and any other costs associated with COVID-19. These cannot be used to backfill revenue shortfall.</td></tr>
<tr><td>State of New Hampshire GOFERR Grant</td><td>CCSNH was awarded $11M of the $1.25B the State of NH received for coronavirus response.
- $6M is first-dollar student aid for tuition assistance and will be a tremendous benefit to our students.
- $5M will be used to enable technology, PPE and supplemental instruction.</td></tr>
</table>

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Many colleges across the country are struggling today. Our students have never needed us more. Deepening CCSNH's curricular, pathways, data, institutional culture, and equity commitments will set us up for success in the post-pandemic new normal. Of course, mechanisms for regular review of key strategies would keep CCSNH nimble in these ever-changing circumstances. Throughout the rest of 2020/2021 school year, leadership will solicit input from faculty, staff, students, external partners and others to reiterate strategy for the post-pandemic new normal – strategy that carries to 2025 and allows us to revisit 2030 conversations conducted one year ago.

FINANCIAL STATEMENTS

CCSNH reports its activity as a business-type activity using the full accrual basis of accounting. The accrual basis of accounting ensures that all amounts owed to CCSNH and all pending obligations are accounted for in the appropriate period.

The three financial statements presented are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are also presented for June 30, 2020 by individual campus. The assets and liabilities and net position as well as the revenues and expenses of the Chancellor's office are allocated to the individual campuses based on each campus' relative percentage of student full-time equivalents (FTEs).

CHANGE IN ACCOUNTING PRINCIPLE

As disclosed in Note 2 to the basic financial statements, in 2018 CCSNH adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The changes made to the basic financial statements to comply with the new accounting standards have been reported as an adjustment as of the beginning of the year ended June 30, 2018. Because it was not practical for CCSNH to determine the amounts of all deferred inflows of resources and outflows of resources related to the pension plan as of June 30, 2017, the beginning balances of deferred inflows of resources and deferred outflows of resources related to pensions have not been reported. The impact of the adoption of the new accounting standard as of the beginning of the year ended June 30, 2018 was both an increase in long-term liabilities and a decrease in unrestricted net position of $144,602,876.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of CCSNH at the end of the fiscal year. Net position is a residual amount equal to assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is presented in four categories. The first category, "invested in capital assets, net of related debt," consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. The next category is "restricted net position" which consists of restricted assets reduced by liabilities related to those assets. Restricted net position balances are further classified as nonexpendable or expendable. Nonexpendable balances consist of loan funds and permanent endowments (available for investment purposes only). Expendable balances are available for expenditure by CCSNH, but must be spent for purposes determined by external entities. Unrestricted net position balances are not subject to externally imposed restrictions and may be designated for specific purposes by management of CCSNH.

A summarized Statement of Net Position is as follows:

	June 30,		
	2020	2019	2018
Assets			
Current	**$ 43,873,176**	$ 33,505,700	$ 25,627,298
Capital assets, net	**108,215,937**	113,133,660	117,002,778
Other noncurrent assets	**24,218,091**	22,140,496	20,175,210
Total assets	**176,307,204**	168,779,856	162,805,286
Deferred outflows of resources	**10,343,620**	13,199,651	16,176,551
Liabilities			
Current	**12,068,083**	13,527,551	11,340,440
Noncurrent	**160,450,547**	170,481,332	198,811,673
Total liabilities	**172,518,630**	184,008,883	210,152,113
Deferred inflows of resources	**48,224,767**	50,972,404	42,292,467
Net position (deficit)			
Invested in capital assets, net of related debt	**94,624,683**	97,117,593	99,114,610
Restricted nonexpendable	**18,060,888**	16,338,300	14,429,385
Restricted expendable	**4,287,899**	4,137,334	3,991,013
Unrestricted	**(151,066,043)**	(170,595,007)	(190,997,751)
Total net position (deficit)	**$ (34,092,573)**	$ (53,001,780)	$ (73,462,743)

Current assets

Current assets were reclassified in 2019 due to a change in accounting for student accounts receivable in 2020. This reclassification increased current assets in 2019 by $1.94 million along with a corresponding increase in current liabilities of the same amount.

Current assets consist of $36.90 million in cash, cash equivalents, and short-term investments, $5.27 million in accounts, notes, and contracts receivable, $337 thousand due from the State of New Hampshire and $1.37 million in other current assets.

The $10.37 million increase in current assets was primarily attributable to a $9.63 million increase in cash, cash equivalents, and short-term investments coupled with an increase in grants and contracts receivable of $1.43 million and a decrease in student accounts receivable of $724 thousand.

The increase in cash, cash equivalents, and short-term investments of $9.63 million was principally attributable to net cash flows from operations, investing and financing activities while the increase in grants and contracts receivable was primarily due to an increase in grant receivables from the Federal Emergency Management Agency (FEMA) of $1.25 million for costs incurred related to the establishment of an COVID-19 alternative care site on the campus of NHTI. The decrease in student accounts receivable was due to a decrease in 2020 summer enrollment relative to 2019 summer enrollment. This decline in enrollment was primarily due to the COVID-19 pandemic.

In 2019, current assets increased by $7.88 million from 2018 and was primarily attributable to a $4.2 million increase in cash, cash equivalents and short-term investments along with increases in grant and student receivables of $3.39 million.

Capital assets, net of accumulated depreciation

The overall decrease in net capital assets of $4.92 million for 2020 was due to net additions of $2.15 million, net of depreciation expense of $7.07 million. General equipment and building and land improvement additions amounted to $798 thousand and $1.35 million, respectively.

The net increase in building and land improvements was primarily due to critical maintenance projects at NHTI and LRCC of $383 thousand and $460 thousand, respectively, along with general renovation projects at MCC and RVCC of $204 thousand and $84 thousand, respectively. The remainder of the $232 thousand was other improvements throughout CCSNH. The increases in general equipment was primarily attributable to purchases of IT infrastructure of $83 thousand, vehicles of $100 thousand and educational scientific equipment of $229 thousand. The remainder of $386 thousand was purchases of various other equipment.

The decrease in capital assets from 2018 to 2019 of $3.87 million was due to a net increase in fixed asset purchases of $3.95 million net of depreciation expense of $7.82 million.

Other noncurrent assets

Other noncurrent assets consist of $22.23 million in long-term investments, $1.82 million in the long-term portion of a note receivable held on the property in Stratham, New Hampshire sold in fiscal year 2015 and $169 thousand long-term portion of student loans receivable.

The increase in noncurrent assets from the prior year of $2.08 million is mainly attributable to an increase in long-term investments of $1.86 million. This increase is attributable to invested excess cash received from the State of New Hampshire under the UNIQUE scholarship program. Under this program, the State of New Hampshire remits cash to CCSNH of which a portion is paid out to students, using a defined formula, for tuition expenses and the remainder is reinvested for future use. Only the earnings on the reinvested funds may be used for future use. The principal portion is held within the restricted nonexpendable portion of net position.

The increase in other noncurrent assets from 2018 to 2019 was primarily attributable to an increase in investments of $2.16 million was also due to net increases in cash received in 2019 from the State for the UNIQUE program as described above.

Deferred outflows of resources

The financial statement deferred outflows of resources category is used to report consumption of resources applicable to a future reporting period. The balance reported for fiscal years 2020, 2019 and 2018 include amounts for certain pension and other postemployment benefit changes.

Current liabilities

Current liabilities were reclassified in 2019 due to a change in accounting for student accounts receivable in FY2020. This reclassification increased current liabilities in 2019 by $1.94 million along with a corresponding increase in current assets of the same amount.

Current liabilities include accounts payable and accrued liabilities of $1.40 million, deferred revenue of $3.52 million, current portions of long-term debt of $1.56 million, and accrued salaries and benefits of $5.59 million.

Current liabilities decreased by $1.46 million in 2020 primarily due to a decrease in accrued salaries and benefits of $1.11 million and a decrease in the current portion of long-term debt of $531 thousand. The decrease in accrued salaries was mainly attributable to the timing of payments on accrued payroll earned in 2020 but not paid until 2021 while the decrease in the current portion of long-term debt payments was due to the timing of principal payments due within the bond debt amortization schedules.

Current liabilities increased by $2.19 million during fiscal year 2019. The increase was primarily attributable to an increase in deferred revenue.

Noncurrent liabilities

Noncurrent liabilities include liabilities for unfunded pension obligations and unfunded other postemployment benefit (OPEB) obligations of $52.95 million and $91.41 million, respectively. Also included in noncurrent liabilities are noncurrent portions of long-term debt of $11.77 million, long-term employee benefits accruals of $3.90 million, and refundable advances of $414 thousand.

Noncurrent liabilities decreased by $10.03 million in 2020. The decrease was primarily due to decreases in CCSNH unfunded liabilities for pensions and OPEB of $882 thousand and $7.48 million, respectively. Additionally, overall long-term debt declined by $1.45 million due to normal amortization of the debt.

Noncurrent liabilities decreased by $28.33 million during fiscal year 2019. The decrease was primarily due decreases in CCSNH unfunded liabilities for pensions and OPEB of $9.11 million and $17.28 million, respectively. Additionally, overall long-term debt declined by $2.0 million due to normal amortization of the bond debt.

Deferred inflows of resources

Deferred inflows of resources are used to report acquisition of resources applicable to a future reporting period. The balance in fiscal year 2020, 2019, and 2018 reflects certain amounts related to OPEB, pensions, and refunding of bond debt.

<u>Net position</u>

Overall net position increased by $18.91 million during the fiscal year. The increase is primarily due to net operating and non-operating income of $14.96 million and other changes in net position of $3.95 million.

CCSNH’s net investment in capital assets decreased by $2.49 million during the fiscal year. The decrease was attributable to an overall decline in net capital assets of $4.92 million netted against a decrease in capital asset related debt of $2.07 million, a decrease in deferred gains on bond refundings of $55 thousand and a decrease in payables on CIP of $305 thousand.

Statements of Net Position - 2020

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Assets								
Current assets								
Cash and cash equivalents	$ 27,687,372	$ 4,091,267	$ 6,156,990	$ 2,679,551	$ 3,150,656	$ 2,992,819	$ 1,388,892	$ 7,227,197
Student accounts receivable, net	1,806,586	140,716	144,088	716,286	74,363	311,620	173,961	245,552
Other current assets	1,369,388	73,564	75,138	495,142	105,037	259,475	192,262	168,770
Current portion of note and contributions receivable	109,895	7,133	6,939	32,656	6,960	24,394	15,193	16,620
Grants and contracts receivable	3,351,445	238,767	214,762	1,559,519	141,425	582,151	263,082	351,739
Operating investments	9,211,469	597,873	581,604	2,737,227	583,425	2,044,700	1,273,537	1,393,103
Due from State of NH for capital appropriations	337,021	17,977	1,506	60,996	34,208	211,168	4,487	6,679
Total current assets	43,873,176	5,167,297	7,181,027	8,281,377	4,096,074	6,426,327	3,311,414	9,409,660
Noncurrent assets								
Student loans receivable, net	168,917	-	20,760	1,379	12,744	99,935	25,226	8,873
Note and contributions receivable, net	1,823,008	118,195	115,231	541,714	115,464	404,659	252,041	275,704
Investments	22,226,166	1,442,596	1,403,339	6,604,599	1,407,735	4,933,616	3,072,891	3,361,390
Capital assets, net	108,215,937	4,231,845	8,678,063	21,513,027	14,326,067	27,740,489	16,903,189	14,823,257
Total noncurrent assets	132,434,028	5,792,636	10,217,393	28,660,719	15,862,010	33,178,699	20,253,347	18,469,224
Total assets	$ 176,307,204	$ 10,959,933	$ 17,398,420	$ 36,942,096	$ 19,958,084	$ 39,605,026	$ 23,564,761	$ 27,878,884
Deferred outflows of resources								
Pension	$ 7,138,478	$ 463,325	$ 450,717	$ 2,121,229	$ 452,129	$ 1,584,552	$ 986,934	$ 1,079,592
Other postemployment benefits	3,205,142	208,031	202,369	952,421	203,004	711,456	443,129	484,732
Total deferred outflows of resources	$ 10,343,620	$ 671,356	$ 653,086	$ 3,073,650	$ 655,133	$ 2,296,008	$ 1,430,063	$ 1,564,324

Statements of Net Position - 2020 (Concluded)

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	$ 1,388,821	$ 80,975	$ 226,038	$ 329,367	$ 121,000	$ 271,010	$ 157,136	$ 203,295
Accounts payable for capital assets	14,836	570	-	580	-	13,686	-	-
Accrued salaries and benefits	5,585,259	365,419	358,833	1,744,239	367,735	1,186,534	731,161	831,338
Unearned revenue and deposits	3,517,597	275,391	244,923	1,046,577	216,354	786,229	432,372	515,751
Current portion of bonds payable	1,451,074	63,961	-	235,562	-	396,275	153,087	602,189
Current portion of other long-term liabilities	110,496	-	21,607	34,351	54,538	-	-	-
Total current liabilities	12,068,083	786,316	851,401	3,390,676	759,627	2,653,734	1,473,756	2,152,573
Noncurrent liabilities								
Accrued salaries and benefits	3,897,175	235,921	213,441	1,262,589	354,717	779,402	478,839	572,266
Refundable advances	414,611	28,047	22,021	102,387	20,807	87,653	98,909	54,787
Net pension liability	52,954,607	3,437,036	3,343,504	15,735,684	3,353,978	11,754,511	7,321,268	8,008,626
Bonds payable	10,172,022	313,709	-	1,178,944	-	2,583,848	1,362,989	4,732,532
Other postemployment benefits	91,413,667	5,975,612	5,539,247	28,761,158	6,432,756	18,784,609	12,218,267	13,702,018
Other long-term liabilities	1,598,465	-	1,484,306	85,847	28,312	-	-	-
Total noncurrent liabilities	160,450,547	9,990,325	10,602,519	47,126,609	10,190,570	33,990,023	21,480,272	27,070,229
Total liabilities	$ 172,518,630	$ 10,776,641	$ 11,453,920	$ 50,517,285	$ 10,950,197	$ 36,643,757	$ 22,954,028	$ 29,222,802
Deferred inflows of resources								
Pension	$ 9,379,156	$ 608,757	$ 592,191	$ 2,787,056	$ 594,046	$ 2,081,923	$ 1,296,720	$ 1,418,463
Other postemployment benefits	38,601,250	2,505,426	2,437,247	11,470,524	2,444,881	8,568,448	5,336,837	5,837,887
Deferred gain from advance bond refunding	244,361	8,103	-	112,616	-	2,681	120,457	504
Total deferred inflows of resources	$ 48,224,767	$ 3,122,286	$ 3,029,438	$ 14,370,196	$ 3,038,927	$ 10,653,052	$ 6,754,014	$ 7,256,854
Net position (deficit)								
Invested in capital assets net of related debt	$ 94,624,683	$ 3,845,501	$ 7,172,150	$ 19,865,127	$ 14,243,218	$ 24,744,000	$ 15,266,655	$ 9,488,032
Restricted nonexpendable	18,060,888	1,170,033	1,172,321	5,356,728	1,141,757	4,001,459	2,492,300	2,726,290
Restricted expendable	4,287,899	277,554	270,001	1,270,718	270,847	949,223	591,221	658,335
Unrestricted	(151,066,043)	(7,560,726)	(5,046,324)	(51,364,308)	(9,031,729)	(35,090,457)	(23,063,394)	(19,909,105)
Total net position (deficit)	$ (34,092,573)	$ (2,267,638)	$ 3,568,148	$ (24,871,735)	$ 6,624,093	$ (5,395,775)	$ (4,713,218)	$ (7,036,448)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The purpose of the Statement of Revenues, Expenses and Changes in Net Position is to present operating and nonoperating revenues received by the institution, operating and nonoperating expenses incurred and any other revenues, expenses, gains and losses. Changes in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position.

A summarized statement of Revenues, Expenses and Changes in Net Position follows:

	Years Ended June 30,		
	2020	2019	2018
Operating revenues			
Net tuition and fees	**$ 39,157,918**	$ 46,035,884	$ 47,195,936
Other operating revenue	**26,209,018**	29,080,883	29,166,007
Total operating revenue	**65,366,936**	75,116,767	76,361,943
Operating expenses			
Employee compensation and benefits	**81,714,133**	76,277,455	92,108,312
Other operating expenses	**32,074,649**	33,559,003	35,016,849
Total operating expenses	**113,788,782**	109,836,458	127,125,161
Operating loss	**(48,421,846)**	(34,719,691)	(50,763,218)
Nonoperating revenues (expenses) and other changes			
State appropriations - operating	**57,255,000**	47,075,000	46,475,000
State appropriations - capital	**2,063,720**	5,273,026	5,542,772
Capital grants and contracts	**176,133**	194,813	212,103
CARES Act funding	**5,435,377**	-	-
Investment return used for operations	**1,133,885**	1,175,423	833,048
Investment return net of amount used for operations	**150,565**	253,549	709,761
Nonexpendable contributions	**1,715,005**	1,905,543	1,537,430
Interest expense on capital debt	**(598,632)**	(696,700)	(853,582)
Gain on forgiveness of debt	**-**	-	2,350,493
Nonoperating revenues and other changes, net	**67,331,053**	55,180,654	56,807,025
Increase in net position	**18,909,207**	20,460,963	6,043,807
Net position (deficit), beginning of year, as previously stated	**(53,001,780)**	(73,462,743)	65,096,326
Cumulative effect of change in accounting principle	**-**	-	(144,602,876)
Net position (deficit), beginning of year, as restated	**(53,001,780)**	(73,462,743)	(79,506,550)
Net position (deficit), end of year	**$ (34,092,573)**	$ (53,001,780)	$ (73,462,743)

Statements of Revenues, Expenses and Changes in Net Position - 2020

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Operating revenues								
Tuition and fees	$ 61,535,846	$ 4,184,988	$ 3,749,290	$ 17,582,387	$ 3,977,236	$ 13,408,781	$ 8,354,888	$ 10,278,276
Less scholarships	(22,377,928)	(2,078,998)	(1,588,525)	(6,050,403)	(1,631,758)	(5,018,214)	(2,901,595)	(3,108,435)
Net tuition and fees	39,157,918	2,105,990	2,160,765	11,531,984	2,345,478	8,390,567	5,453,293	7,169,841
Grants and contracts	20,321,085	2,024,786	1,627,512	5,176,772	1,351,656	4,933,143	2,395,770	2,811,446
Other auxiliary enterprises	3,053,064	76,267	-	2,337,470	639,327	-	-	-
Other operating revenue	2,834,869	145,724	155,121	1,321,833	224,050	416,089	298,207	273,845
Total operating revenue	65,366,936	4,352,767	3,943,398	20,368,059	4,560,511	13,739,799	8,147,270	10,255,132
Operating expenses								
Employee compensation and benefits	81,714,133	6,740,492	6,611,311	23,851,247	6,657,473	15,563,528	10,563,745	11,726,337
Other operating expenses	22,174,985	1,929,335	1,636,566	7,363,190	2,110,828	3,403,625	2,285,898	3,445,543
Utilities	2,834,636	131,385	212,775	755,875	360,006	581,199	425,939	367,457
Depreciation	7,065,028	422,925	754,682	1,751,838	742,359	1,243,654	1,032,778	1,116,792
Total operating expenses	113,788,782	9,224,137	9,215,334	33,722,150	9,870,666	20,792,006	14,308,360	16,656,129
Operating loss	(48,421,846)	(4,871,370)	(5,271,936)	(13,354,091)	(5,310,155)	(7,052,207)	(6,161,090)	(6,400,997)

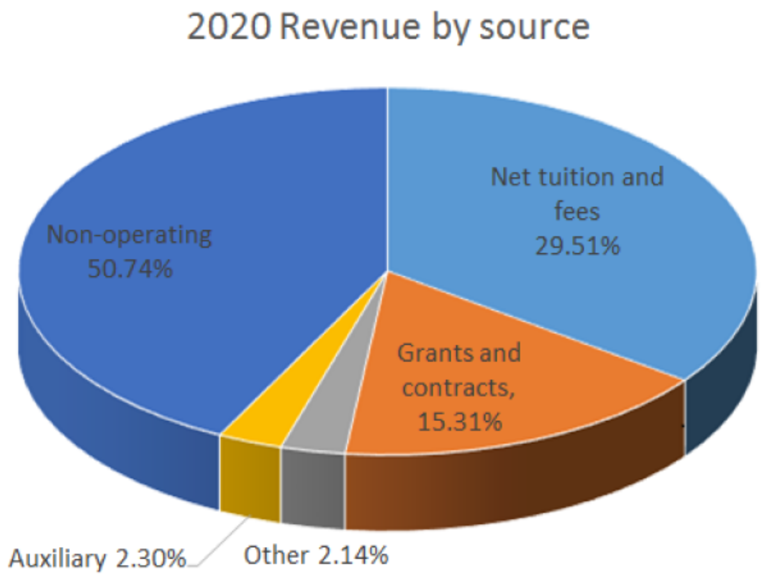
COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE
(A Component Unit of the State of New Hampshire)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Statements of Revenues, Expenses and Changes in Net Position - 2020 (Concluded)

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Nonoperating revenues (expenses)								
State appropriations - operating	57,255,000	6,165,960	6,839,708	13,072,913	6,767,003	9,156,293	7,679,520	7,573,603
CARES Act Funding	5,435,377	331,640	202,003	2,764,491	333,097	846,792	448,913	508,441
Investment return used for operations	1,133,885	69,969	61,821	364,869	72,897	243,093	149,827	171,409
Investment return excluding amount used for operations	150,565	9,773	9,507	44,741	9,536	33,421	20,816	22,771
Interest expense on capital debt	(598,632)	(15,950)	(55,001)	(49,673)	(7,450)	(136,970)	(60,366)	(273,222)
Nonoperating revenues, net	63,376,195	6,561,392	7,058,038	16,197,341	7,175,083	10,142,629	8,238,710	8,003,002
Income before other changes in net position	14,954,349	1,690,022	1,786,102	2,843,250	1,864,928	3,090,422	2,077,620	1,602,005
Other changes in net position								
State appropriations - capital	2,063,720	162,484	140,090	614,505	574,800	404,010	52,681	115,150
Capital grants and contracts	176,133	11,432	11,121	52,339	11,156	39,096	24,351	26,638
Nonexpendable contributions	1,715,005	111,313	108,284	509,621	108,623	380,685	237,109	259,370
Total other changes in net position	3,954,858	285,229	259,495	1,176,465	694,579	823,791	314,141	401,158
Increase in net position	18,909,207	1,975,251	2,045,597	4,019,715	2,559,507	3,914,213	2,391,761	2,003,163
Net position (deficit) beginning of year	(53,001,780)	(4,242,889)	1,522,551	(28,891,450)	4,064,586	(9,309,988)	(7,104,979)	(9,039,611)
Net position (deficit) end of year	$ (34,092,573)	$ (2,267,638)	$ 3,568,148	$ (24,871,735)	$ 6,624,093	$ (5,395,775)	$ (4,713,218)	$ (7,036,448)



Operating revenues

Fiscal year 2020 net tuition and fees decreased by $6.88 million relative to fiscal year 2019. Gross tuition decreased in fiscal year 2020 by approximately $3.79 million (7.15%) relative to fiscal year 2019 while student fees declined by about $800 thousand (7.25%) for the same time frame. The decrease is attributable to a decline in credits sold of 7.1%. Fiscal year 2020 also saw a decline in non-credit revenue of $633 thousand (30.71%) relative to fiscal year 2019. Lastly, fiscal year 2020 saw an increase in scholarship expenses of about $1.65 million (7.97%) relative to fiscal year 2019.

With regard to tuition and fees, most of the decline was due to the COVID-19 pandemic. The spring and summer terms of the current fiscal year saw a decline of 7.4% in credits sold but the Fall term only experienced a decline in credits sold of 2.5%.

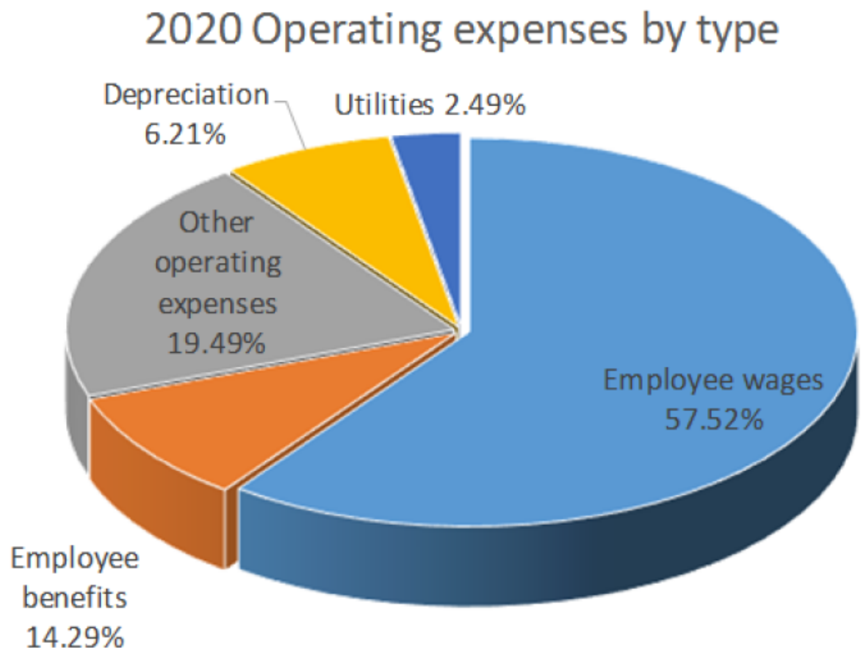
Operating revenues decreased by $1.25 million between 2018 and 2019. This was primarily due to decreases in net tuition revenue in 2019 compared to 2018.

Nonoperating revenues and other changes

Total nonoperating revenues and other changes in net position increased by $12.15 million in fiscal year 2020 relative to fiscal year 2019. Net non-operating revenue increased by $15.57 million while other changes in net position decreased by $3.42 million.

The primary reasons for the increase in net non-operating revenue in fiscal year 2020 relative to fiscal year 2019 were an increase in operating appropriations from the state of New Hampshire of $10.18 million and pandemic related grant monies received from the federal government of $5.44 million. The decrease in other changes in net position during fiscal year 2020 was primarily driven by a decline in capital appropriations from the State of New Hampshire of $3.21 million.

The decline in net non-operating revenues and other changes in net position from 2018 to 2019 of $1.63 million was primarily attributable to the recognition of a gain in 2018 of $2.35 million to correct a State of New Hampshire error on bond debt that had been incorrectly allocated to CCSNH.



Operating expenses

Fiscal year 2020 operating expenses increased by $3.95 million from 2019. Salaries decreased slightly by about $657 thousand (.9%) while benefits increased by $6.09 million. The primary driver of the increase in employee benefits was the adjustment to reduce the liabilities for Pension and OPEB in fiscal year 2020 of $1.23 million versus the total adjustment to reduce the liabilities for Pension and OPEB in fiscal year 2019 of $7.89 million.

Other operating expenses decreased by $1.48 million in 2020. The primary factors for this decline were seen in decreases in consultant expenses of $801 thousand, food costs $333 thousand, utilities costs of $353 thousand, depreciation of $757 thousand and bad debt expense of $221 thousand netted against increases in marketing expenses of $336 thousand and rental expenses of $822 thousand. Many of the declines, including consultants, food and utilities, were the direct result of the COVID-19 pandemic and less students being on campus. The increase in rental expenses were related to the rental of equipment for the COVID-19 alternative care site at NHTI.

Operating expenses declined by $17.29 million in 2019 from 2018. $15.83 million of the decline was attributable to declines in employee benefits brought on by a $12.5 million decrease in the OPEB expenses and a decrease in pension expense of $3.1 million. These decreases were the result of decreases in unfunded liabilities for OPEB and pensions. There were net increases in other employee benefits of $467 thousand.

Overall salaries and wages stayed relatively stable year over year.

Other operating expenses decreased by $1.4 million in 2019. The primary factors for this decline were seen in decreases in consultant expenses of $802 thousand, participant support costs of $394 thousand and marketing expenses of $288 thousand. The decline in consultants was primarily the result of declines of $490 thousand at GBCC due to the helicopter training program phase out. The remainder of consultant expense decreases were the result of various other declines in professional services and outside consultants. The decrease in participant support costs resulted from the phase out of the Advanced composite manufacturing grant at GBCC. Marketing expenses declined due to consolidating and sharing marketing expenses amongst the campuses.

STATEMENTS OF CASH FLOWS

The statements of cash flows summarize transactions involving cash and cash equivalents during each fiscal year. The statements provide an additional tool to assess the financial health of the institution and its ability to generate future cash flows to meet its obligations.

	Years Ended June 30,		
	2020	2019	2018
Net cash used - operating activities	**$ (50,357,761)**	$ (43,912,208)	$ (40,750,651)
Net cash provided - noncapital financing activities	**63,152,900**	48,980,543	48,012,430
Net cash used - capital and related financing activities	**(2,581,748)**	(145,605)	(2,089,292)
Net cash used - investing activities	**(769,455)**	(964,724)	(842,682)
Net increase in cash and cash equivalents	**9,443,936**	3,958,006	4,329,805
Cash and cash equivalents, beginning of year	**18,243,436**	14,285,430	9,955,625
Cash and cash equivalents, end of year	**$ 27,687,372**	$ 18,243,436	$ 14,285,430

CCSNH maintains the cash position necessary to meet its obligations. The amount of cash on hand fluctuates during the year due to the timing of tuition receipts and federal financial aid payments.

Cash and cash equivalents increased by $9.4 million during 2020, $4.0 million during 2019, and $4.3 million during 2018, primarily due to an increase in the appropriations from the State of New Hampshire.

COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE
(A Component Unit of the State of New Hampshire)

Statements of Net Position

June 30, 2020 and 2019

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	2020	2019	**2020**	2019
Assets				
Current assets				
Cash and cash equivalents	**$ 27,687,372**	$ 18,243,436	**$ 9,899**	$ 721
Student accounts receivable, net	**1,806,586**	2,530,149	**-**	-
Other current assets	**1,369,388**	1,104,024	**-**	-
Current portion of note and contributions receivable	**109,895**	184,568	**16,552**	4,000
Grants and contracts receivable	**3,351,445**	1,918,214	**-**	-
Operating investments	**9,211,469**	9,023,134	**-**	-
Due from State of New Hampshire for capital appropriations	**337,021**	502,175	**-**	-
Total current assets	**43,873,176**	33,505,700	**26,451**	4,721
Noncurrent assets				
Student loans receivable, net	**168,917**	366,540	**-**	-
Note and contributions receivable, net	**1,823,008**	1,413,360	**4,000**	8,000
Investments	**22,226,166**	20,360,596	**4,393,906**	4,272,448
Capital assets, net	**108,215,937**	113,133,660	**-**	-
Total noncurrent assets	**132,434,028**	135,274,156	**4,397,906**	4,280,448
Total assets	**176,307,204**	168,779,856	**4,424,357**	4,285,169
Deferred outflows of resources				
Pension	**7,138,478**	9,403,527	-	-
Other postemployment benefits	**3,205,142**	3,796,124	-	-
Total deferred outflows of resources	**10,343,620**	13,199,651	-	-
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	**1,388,821**	1,045,664	**1,767**	49,146
Accounts payable for capital assets	**14,836**	319,620	**-**	-
Accrued salaries and benefits	**5,585,259**	6,699,174	**-**	-
Unearned revenue and deposits	**3,517,597**	3,370,134	**-**	-
Current portion of bonds payable	**1,451,074**	1,984,141	**-**	-
Current portion of other long-term liabilities	**110,496**	108,818	**-**	-
Total current liabilities	**12,068,083**	13,527,551	**1,767**	49,146
Noncurrent liabilities				
Accrued salaries and benefits	**3,897,175**	3,989,951	**-**	-
Refundable advances	**414,611**	454,859	**-**	-
Net pension liability	**52,954,607**	53,837,038	**-**	-
Bonds payable	**10,172,022**	11,623,097	**-**	-
Other postemployment benefits	**91,413,667**	98,894,590	**-**	-
Other long-term liabilities	**1,598,465**	1,681,797	**-**	-
Total noncurrent liabilities	**160,450,547**	170,481,332	**-**	-
Total liabilities	**172,518,630**	184,008,883	**1,767**	49,146
Deferred inflows of resources				
Pension	**9,379,156**	12,658,695	**-**	-
Other postemployment benefits	**38,601,250**	38,014,542	**-**	-
Deferred gain from advance bond refunding	**244,361**	299,167	**-**	-
Total deferred inflows of resources	**48,224,767**	50,972,404	**-**	-
Net position (deficit)				
Invested in capital assets, net of related debt	**94,624,683**	97,117,593	**-**	-
Restricted nonexpendable	**18,060,888**	16,338,300	**1,722,584**	1,722,584
Restricted expendable	**4,287,899**	4,137,334	**2,223,298**	2,099,636
Unrestricted	**(151,066,043)**	(170,595,007)	**476,708**	413,803
Total net position (deficit)	**$ (34,092,573)**	$ (53,001,780)	**$ 4,422,590**	$ 4,236,023

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

COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE
(A Component Unit of the State of New Hampshire)

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2020 and 2019

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	2020	2019	**2020**	2019
Operating revenues				
Tuition and fees	**$ 61,535,846**	$ 66,762,886	**$ -**	$ -
Less scholarships	**(22,377,928)**	(20,727,002)	**-**	-
Net tuition and fees	**39,157,918**	46,035,884	**-**	-
Grants and contracts	**20,321,085**	21,667,550	**-**	-
Contributions	**-**	-	**981,333**	833,198
Other auxiliary enterprises	**3,053,064**	3,708,269	**-**	-
Other operating revenue	**2,834,869**	3,705,064	**-**	-
Total operating revenues	**65,366,936**	75,116,767	**981,333**	833,198
Operating expenses				
Employee compensation and benefits	**81,714,133**	76,277,455	**-**	-
Other operating expenses	**22,174,985**	22,549,198	**1,049,347**	905,570
Utilities	**2,834,636**	3,187,750	**-**	-
Depreciation	**7,065,028**	7,822,055	**-**	-
Total operating expenses	**113,788,782**	109,836,458	**1,049,347**	905,570
Operating loss	**(48,421,846)**	(34,719,691)	**(68,014)**	(72,372)
Nonoperating revenues (expenses)				
State of New Hampshire appropriations	**57,255,000**	47,075,000	**-**	-
Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	**5,435,377**	-	**-**	-
Investment return used for operations	**1,133,885**	1,175,423	**130,360**	116,692
Investment return excluding amount used for operations	**150,565**	253,549	**(37,992)**	25,405
Interest expense on capital debt	**(598,632)**	(696,700)	**-**	-
Nonoperating revenues, net	**63,376,195**	47,807,272	**92,368**	142,097
Income before other changes in net position	**14,954,349**	13,087,581	**24,354**	69,725
Other changes in net position				
State of New Hampshire capital appropriation	**2,063,720**	5,273,026	**-**	-
Capital grants and contracts	**176,133**	194,813	**-**	-
Nonexpendable contributions	**1,715,005**	1,905,543	**162,213**	10,507
Total other changes in net position	**3,954,858**	7,373,382	**162,213**	10,507
Increase in net position	**18,909,207**	20,460,963	**186,567**	80,232
Net position (deficit), beginning of year	**(53,001,780)**	(73,462,743)	**4,236,023**	4,155,791
Net position (deficit), end of year	**$ (34,092,573)**	$ (53,001,780)	**$ 4,422,590**	$ 4,236,023

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

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	Community College System of New Hampshire	
	2020	2019
Cash flows from operating activities		
Receipts from tuition and fees	**$ 39,953,697**	$ 46,173,053
Receipts from grants and contracts	**20,395,458**	20,180,071
Receipts from auxiliary enterprises	**3,053,064**	3,708,269
Payments to suppliers	**(25,186,007)**	(25,640,504)
Payments to employees	**(91,120,978)**	(91,120,247)
Other cash receipts	**2,547,005**	2,787,150
Net cash used for operating activities	**(50,357,761)**	(43,912,208)
Cash flows from noncapital financing activities		
State of New Hampshire appropriations	**57,255,000**	47,075,000
Nonoperating federal grants	**4,182,895**	-
Contributions for long-term purposes	**1,715,005**	1,905,543
Net cash provided by noncapital financing activities	**63,152,900**	48,980,543
Cash flows from capital and related financing activities		
Appropriations from the State of New Hampshire for capital expenditures	**2,228,874**	5,130,782
Capital grants and contracts received	**176,133**	194,813
Purchase of capital assets	**(2,452,089)**	(3,708,356)
Payments received on notes receivable	**184,568**	105,751
Principal on bonds payable and other liabilities	**(2,065,796)**	(1,113,141)
Interest on bonds payable and other liabilities	**(653,438)**	(755,454)
Net cash used for capital and related financing activities	**(2,581,748)**	(145,605)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	**5,324,462**	20,975,517
Purchase of investments	**(6,624,899)**	(22,590,205)
Interest and dividends received	**530,982**	649,964
Net cash used for investing activities	**(769,455)**	(964,724)
Net increase in cash and cash equivalents	**9,443,936**	3,958,006
Cash and cash equivalents, beginning of year	**18,243,436**	14,285,430
Cash and cash equivalents, end of year	**$ 27,687,372**	$ 18,243,436

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

Statements of Cash Flows (Concluded)

Years Ended June 30, 2020 and 2019

	Community College System of New Hampshire	
	2020	2019
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	**$ (48,421,846)**	$ (34,719,691)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	**7,065,028**	7,822,055
Adjustment to the allowance on the note receivable	**(519,543)**	1,875
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Student accounts receivable	**723,563**	(2,156,536)
Other current assets	**(265,364)**	89,030
Student loans receivable	**197,623**	(872,914)
Grants and contracts receivable	**(180,749)**	(1,461,162)
Deferred outflows of resources - pension	**2,265,049**	2,782,108
Deferred outflows of resources - OPEB	**590,982**	194,792
Accounts payable and accrued expenses	**343,157**	94,569
Accrued salaries and benefits	**(1,206,691)**	(160,600)
Unearned revenue and deposits	**147,463**	2,168,946
Other postemployment benefits	**(7,480,923)**	(17,282,403)
Net pension liability	**(882,431)**	(9,115,380)
Refundable advances	**(40,248)**	(35,588)
Deferred inflows of resources - pension	**(3,279,539)**	3,623,750
Deferred inflows of resources - OPEB	**586,708**	5,114,941
Net cash used for operating activities	**$ (50,357,761)**	$ (43,912,208)
Reconciliation of noncash activity		
Acquisition of capital assets	**$ 2,147,305**	$ 3,952,937
Less: Acquisition of capital assets included in accounts payable at year-end	**(14,836)**	(319,620)
Add: Payments on short-term trade accounts used to finance acquisition of capital assets	**319,620**	75,039
Payments for the acquisition of capital assets	**$ 2,452,089**	$ 3,708,356

Nature of Business

The Community College System of New Hampshire (CCSNH or the System) is comprised of the following colleges:

- NHTI - Concord's Community College (NHTI);
- Manchester Community College (MCC);
- Nashua Community College (NCC);
- Great Bay Community College (GBCC);
- Lakes Region Community College (LRCC);
- White Mountains Community College (WMCC); and
- River Valley Community College (RVCC).

CCSNH's main purpose is to provide a well-coordinated system of public community college education. CCSNH is governed by a single board of trustees with 22 voting members appointed by the Governor and Executive Council and 2 voting members who are full time students enrolled within CCSNH and are elected by the student body. CCSNH funds its operations through tuition, room and board, fees, grants, legacies and gifts, and State of New Hampshire (State) appropriations.

Community Colleges of New Hampshire Foundation (the Foundation) is a separate legal entity established as a 501(c)(3) corporation. The Foundation is structured to seek and secure private funds and/or grants in order to supplement the traditional revenue sources of CCSNH. The Foundation’s mission is to support CCSNH and make higher education more accessible by providing student scholarship assistance, facility and staff support programs, and improved education facilities. These assets and all activity of the Foundation are included in the financial statements of CCSNH as a discretely-presented component unit.

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

CCSNH has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements.

CCSNH's policy is to define operating activities in the statement of revenues, expenses, and changes in net position as those that generally result from exchange transactions, such as charges for services provided to students and for the purchase of goods and services. Certain other transactions are reported as nonoperating revenues (expenses). These nonoperating revenues (expenses) include CCSNH's operating appropriations from the State, CARES Act funding, contributions for long-term purposes, net investment income (loss), gifts received by the Foundation restricted for long-term purposes, and interest expense.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows include unrestricted cash which is either held in demand deposit or short-term money market accounts, and highly-liquid savings deposits and investments with original maturities of three months or less when purchased.

Student Accounts and Loans Receivable

The Federal Perkins Student Loan Program has provisions for deferment, forbearance, and cancellation of the individual loans. Principal payments, interest, and losses due to cancellation are shared by the College and the U.S. Government in proportion to their share of funds provided. Amounts advanced by the federal government under this program are ultimately refundable and are classified as refundable advances.

Both student accounts receivable and student loans receivable are stated at their unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Fees and interest income on these receivables are recorded when received. For both student accounts and student loans receivable, CCSNH provides for probable uncollectible amounts through a charge to expense and a credit to the allowance account based on its assessment of the current status of individual accounts. Student accounts receivables that are still outstanding after the College has used reasonable collection efforts are written off through a charge to the allowance for bad debts and a credit to student accounts receivable. Student accounts receivable at June 30, 2020 are reported net of an allowance for bad debts of $677,749. There was no allowance for bad debts for student accounts receivable at June 30, 2019. Student loan receivables that are still outstanding after the College has used reasonable collection efforts are written off through a charge to the allowance for loan losses and a credit to student loans receivable. Student loans receivable at June 30, 2020 and 2019 are reported net of an allowance for loan losses of $316,848 and $456,616, respectively.

Collections of the student loans receivable may not be used to pay current liabilities. Accordingly, the student loans receivable are recorded in the accompanying statements of net position as noncurrent assets.

Investments

CCSNH and the Foundation carry investments at their fair value. Fair value is estimated using the methods described in Note 9. Purchased and gifted securities are recorded at fair value on the date of the acquisition or gift, net of any brokerage fees. Realized and unrealized gains and losses in the investment portfolio are allocated on a specific-identification basis.

Capital Assets

Capital assets are recorded at cost when purchased or constructed and at fair value at the date of donation. In accordance with CCSNH's capitalization policy, only equipment (including equipment acquired under capital leases), capital projects and internally-generated intangibles with a projected cost of $5,000 or more are capitalized. Costs for maintenance, repairs and minor renewals and replacements are expensed as incurred. The costs of library materials are expensed as incurred.

Depreciation and amortization of assets acquired are recorded on a straight-line basis over the estimated useful lives of the related assets, principally as follows:

Buildings	40 years
Building and land improvements	20 years
Equipment and vehicles	5 years

When capital assets are retired or otherwise disposed of, the asset and accumulated depreciation accounts are adjusted and any resulting gain or loss is reflected in the statement of revenues, expenses, and changes in net position.

Note Receivable

During the year ended June 30, 2015, GBCC sold its former Stratham, New Hampshire Campus for $2,750,000. The buyer paid cash of $250,000 at closing and signed a note receivable to CCSNH for $2,500,000. The note receivable is expected to be paid in monthly installments of $13,865, including interest at 3%, through September 14, 2024. All outstanding principal and interest is expected to be repaid on October 14, 2024, which is expected to amount to approximately $1,500,000. The note receivable balance as of June 30, 2020 and 2019 was $1,932,903 and $1,597,928, respectively. The balance at June 30, 2019 is shown net of an allowance for loan losses of approximately $520,000. Management determined no reserve was required at June 30, 2020.

Unearned Revenue and Deposits

Unearned revenue and deposits consist primarily of deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year. Revenue from summer programs is recognized ratably over the applicable academic periods.

Compensated Absences

Employees earn the right to be compensated during certain absences. The accompanying statements of net position reflect an accrual for the amounts earned, including related benefits ultimately payable for such benefit. A portion of this liability is classified as current and represents CCSNH’s estimate of vacation time that will be paid during the next fiscal year to employees.

Refundable Advances

CCSNH participates in the Federal Perkins Loan Program, which is funded through a combination of federal and institutional resources. The portion of this program that has been funded with federal funds is ultimately refundable to the U.S. Government upon termination of CCSNH's participation in the program. The portion that would be refundable if the programs were terminated as of June 30, 2020 and 2019 has been included in the accompanying statements of net position as a noncurrent liability. The portion of this program that has been funded with institutional funds has been classified as restricted - nonexpendable since these funds can only be used for loans during the time CCSNH participates in the Federal Perkins Loan Program.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS), and additions to/deductions from the NHRS's fiduciary net position has been determined on the same basis as it is reported by the NHRS. Detailed information about the Pension Plan's fiduciary net position is available in the separately issued NHRS annual report available from the NHRS website at https://www.nhrs.org. NHRS's financial statements are prepared using the accrual basis of accounting. Both plan member and employer contributions are recognized in the period in which contributions are legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments. Investments in non-registered commingled funds are valued at net asset value as a practical expedient to estimate fair value.

Other Postemployment Benefits

For the purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits (OPEB), and OPEB expense, information about the fiduciary net position of the NHRS OPEB Plan and the State of New Hampshire OPEB Plan (the State OPEB Plan) (collectively, the OPEB Plans) has been determined on the same basis as it is reported by NHRS and the State OPEB Plan.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Net Position

GASB requires that resources be classified for accounting purposes into the following four net position categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets, and increased or reduced by deferred inflows and deferred outflows related to those assets.

Restricted - nonexpendable: Net assets subject to externally-imposed conditions that CCSNH must maintain them in perpetuity.

Restricted - expendable: Net assets whose use is subject to externally-imposed conditions that can be fulfilled by the actions of CCSNH or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of the CCSNH's Board of Trustees.

CCSNH has adopted a policy of generally utilizing restricted, expendable resources, when available, prior to unrestricted resources.

Net Student Fees

Student tuition, dining, residence, and other fees are presented net of scholarships applied to students' accounts.

Contributions

Contributions are recorded at their fair value at the date of gift. Promises to donate to CCSNH are recorded as receivables and revenues when the CCSNH has met all applicable eligibility and time requirements. Contributions to be used for endowment purposes are categorized as restricted nonexpendable. Other gifts are categorized as unrestricted. Because of uncertainties with regard to their realizability and valuation, bequests and other intentions to give and conditional promises are not recognized as assets until the specified conditions are met.

Operating Revenues and Expenses

Operating revenues consist of tuition and fees; federal, state and other grants and contracts; sales and services of education activities; and auxiliary enterprises revenues. Operating expenses include instruction, public service, academic support, student services, institutional support, operations and maintenance, student aid, auxiliary enterprises, and residential life and depreciation and amortization. Capital items represent all other changes in long-term plant and endowment net assets. Revenues are recognized when earned and expenses are recognized when incurred. Restricted grant revenue is recognized only to the extent expended for expenditure driven grants or, in the case of fixed-price contracts, when the contract terms are met or completed.

Income Taxes

The Internal Revenue Service has determined that CCSNH is a wholly-owned instrumentality of the State of New Hampshire and, as such, is generally exempt from federal income tax. The Foundation is exempt from income taxes because it is a 501(c)(3) organization.

If an exempt organization regularly carries on a trade or business not substantially related to its exempt purpose, except that it provides funds to carry out that purpose, the organization is subject to tax on its income from that unrelated trade or business. The System has evaluated the positions taken on its business activities and has concluded no unrelated business income tax exists at June 30, 2020 and 2019.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain financial statement amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

2. Cash and Cash Equivalents

Custodial credit risk is the risk that, in the event of bank failure, CCSNH's deposits may not be returned. Deposits are considered uninsured and uncollateralized if they are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in CCSNH's name.

As of June 30, 2020 and 2019, CCSNH's uncollateralized uninsured cash and cash equivalents were approximately $20,640,000 and $17,910,000, respectively. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits, and the combined total amounts are insured up to the first $250,000 per financial institution.

3. Capital Assets

Capital asset activity for the year ended June 30, 2020 is summarized below:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	$ 924,340	$ -	$ (9,153)	$ -	$ 915,187
Construction-in-process	1,179,043	1,362,979	-	(2,080,513)	461,509
Total non-depreciable assets	2,103,383	1,362,979	(9,153)	(2,080,513)	1,376,696
Land improvements	7,061,587	-	-	88,184	7,149,771
Buildings and improvements	195,486,879	-	-	1,992,329	197,479,208
Equipment and vehicles	19,116,528	797,953	(154,956)	-	19,759,525
Total depreciable assets	221,664,994	797,953	(154,956)	2,080,513	224,388,504
Accumulated depreciation	(110,634,717)	(7,065,028)	150,482	-	(117,549,263)
Capital assets, net	$ 113,133,660	$ (4,904,096)	$ (13,627)	$ -	$ 108,215,937

Capital asset activity for the year ended June 30, 2019 is summarized below:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	$ 924,340	$ -	$ -	$ -	$ 924,340
Construction-in-process	1,191,409	1,745,719	-	(1,758,085)	1,179,043
Total non-depreciable assets	2,115,749	1,745,719	-	(1,758,085)	2,103,383
Land improvements	6,754,210	-	-	307,377	7,061,587
Buildings and improvements	194,036,171	-	-	1,450,708	195,486,879
Equipment and vehicles	18,767,103	2,218,272	(1,868,847)	-	19,116,528
Total depreciable assets	219,557,484	2,218,272	(1,868,847)	1,758,085	221,664,994
Accumulated depreciation	(104,670,455)	(7,822,055)	1,857,793	-	(110,634,717)
Capital assets, net	$ 117,002,778	$ (3,858,064)	$ (11,054)	$ -	$ 113,133,660

4. Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued salaries and benefits	$ 10,689,725	$ -	$ (1,207,291)	$ 9,482,434	$ 5,585,259
Refundable advances	454,859	-	(40,248)	414,611	-
Net pension liability	53,837,038	-	(882,431)	52,954,607	-
Bonds payable	13,607,238	-	(1,984,142)	11,623,096	1,451,074
OPEB	98,894,590	-	(7,480,923)	91,413,667	-
Other long-term liabilities	1,790,615	59,844	(141,498)	1,708,961	110,496
Long-term liabilities	$ 179,274,065	$ 59,844	$ (11,736,533)	$ 167,597,376	$ 7,146,829

Changes in long-term liabilities during the year ended June 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued salaries and benefits	$ 10,849,725	$ -	$ (160,000)	$ 10,689,725	$ 6,699,174
Refundable advances	490,447	-	(35,588)	454,859	-
Net pension liability	62,952,418	-	(9,115,380)	53,837,038	-
Bonds payable	15,647,569	-	(2,040,331)	13,607,238	1,984,141
OPEB	116,176,993	-	(17,282,403)	98,894,590	-
Other long-term liabilities	1,807,640	123,286	(140,311)	1,790,615	108,818
Long-term liabilities	$ 207,924,792	$ 123,286	$ (28,774,013)	$ 179,274,065	$ 8,792,133

Other Long-Term Liabilities

Future minimum payments under other long-term liabilities, which include capital leases and a note payable to U.S. Department of Agriculture (USDA), as of June 30, 2020 are as follows:

Year ending June 30,	Principal	Interest	Total
2021	$ 110,496	$ 63,117	$ 173,613
2022	72,016	58,564	130,580
2023	75,224	55,357	130,581
2024	36,638	52,400	89,038
2025	24,973	50,867	75,840
2026 - 2030	139,372	239,828	379,200
2031 - 2035	167,022	212,178	379,200
2036 - 2040	200,157	179,043	379,200
2041 - 2045	239,865	139,335	379,200
2046 - 2050	287,451	91,749	379,200
2051 - 2055	344,478	34,722	379,200
2056 - 2060	11,269	49	11,318
	$ 1,708,961	$ 1,177,209	$ 2,886,170

During 2016, RVCC entered into an agreement with USDA in the amount of $1,600,000 to finance the purchase a building in Lebanon, New Hampshire. The note payable is to be repaid over 40 years at a fixed interest rate of 3.625%. As of June 30, 2020 and 2019 the balance due to USDA was $1,505,913 and $1,521,753, respectively.

The original cost basis of leased capital assets as of June 30, 2020 and 2019 was $217,179 and $434,434, respectively. Accumulated depreciation includes $217,179 and $378,488 as of June 30, 2020 and 2019 for the leased capital assets, respectively.

5. Bonds Payable

Bonds payable consisted of the following at June 30:

	2020	2019
2009 Series A General Obligation Bonds (original principal of $5,000,000) Serial bonds maturing through 2029 with annual principal payments from $200,000 to $300,000 and interest rates from 4.00% to 5.50%.	**$ 2,000,000**	$ 2,300,000
2010 Series A General Obligation Bonds (original principal of $1,996,995) Serial bonds maturing through 2025 with annual principal payments from $0 to $666,111 and coupon interest rates from 2.00% to 5.00%.	**485,348**	1,151,460
2010 Series B General Obligation Bonds (original principal of $1,055,090) Serial bonds maturing through 2020 with annual principal payments from $115,501 to $150,526 and interest rates from 3.00% to 4.00%.	**-**	150,526
2012 Series B General Obligation Bonds (original principal of $6,000,000) Serial bonds maturing through 2032 with annual principal payments from $160,000 to $240,000 and interest rates from 2.64% to 4.15%. A portion of these bonds were refunded as part of the issuance of the 2017 Series A General Obligation bonds.	**2,074,799**	2,314,260
2013 Series B General Obligation Bonds (original principal of $2,000,000) Serial bonds maturing through 2033 with annual principal payments from $79,763 to $133,446 and interest rates from 4.00% to 4.68%. A portion of these bonds were refunded as part of the issuance of the 2017 Series A General Obligation bonds.	**1,039,457**	1,172,735
2014 Series A General Obligation Refunding Bonds (original principal of $2,762,813) maturing through 2028 with annual principal payments ranging from $34,564 to $102,325 and interest rates from 1.50% to 5.00%.	**2,404,270**	2,438,834
2016 Series A General Obligation Refunding Bonds (original principal of $921,602) maturing through 2028 with annual principal payments ranging from $36,734 to $192,626 and interest rates from 1.88% to 2.50%.	**407,419**	599,864
2017 Series A General Obligation Bonds (original principal of $4,015,070) maturing through 2036 with annual principal payments ranging from $160,464 to $267,756 and interest rates from 2.25% to 4.80%.	**3,211,803**	3,479,559
	$ 11,623,096	$ 13,607,238

During the year ended June 30, 2015, CCSNH advance refunded selected bonds. The difference between the reacquisition price and the net carrying amount of the old debt of approximately $523,000 was recorded as a deferred inflow of resources and will be recognized in the statement of revenues, expenses, and changes in net position on an annual basis through the year 2028 using the effective-interest method. At June 30, 2020 and 2019 the unamortized deferred gain from advance refunding of the bonds was $244,361 and $299,167, respectively.

Principal and interest payments on bonds payable for the next five years and in subsequent five-year periods are as follows at June 30, 2020:

Year ending June 30,	Principal	Interest	Total
2021	$ 1,451,074	$ 504,418	$ 1,955,492
2022	1,329,918	443,573	1,773,491
2023	1,337,951	374,508	1,712,459
2024	901,434	315,342	1,216,776
2025	1,078,481	268,296	1,346,777
2026 - 2030	3,842,905	674,962	4,517,867
2031 - 2035	1,520,869	143,211	1,664,080
2036 - 2040	160,464	5,215	165,679
	$ 11,623,096	$ 2,729,525	$ 14,352,621

Interest expense related to the bonds for the years ended June 30, 2020 and 2019 was $532,286 and $628,844, respectively.

6. Defined Benefit Pension Plan

CCSNH participates in the NHRS, which, as governed by Revised Statutes Annotated (RSA) 100-A, is a public employee retirement system that administers a cost-sharing, multiple-employer pension plan (Pension Plan). NHRS is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the NHRS. The pension plan is divided into two membership groups; State and local employees and teachers belong to Group I and police and firefighters belong to Group II. All of CCSNH's employees are part of Group I. The provisions of the Pension Plan can be amended only by legislative action taken by the New Hampshire State Legislature, pursuant to the authority granted it under the New Hampshire State Constitution.

The NHRS pension plan and trust was established in 1967 by RSA 100-A:2. The Pension Plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Although benefits are funded by member contributions, employer contributions and trust fund assets, NHRS computes benefits on the basis of members' Average Final Compensation (AFC) and years of creditable service. Unlike a defined contribution plan, NHRS benefits provided to members are not dependent upon the amount of contributions paid into the NHRS or the investment return on trust assets.

To qualify for a normal service retirement, Group I members must have attained 60 years of age. However, a member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining 65 years of age. The member may receive a reduced allowance after age 60 if the member has at least 30 years of creditable service. The allowance shall be reduced for each month by which the date on which benefits commence precedes the month after which the member attains 65 years of age, by ¼ of one percent.

For members retiring prior to the age of 65, the yearly pension amount is 1.67% of AFC multiplied by years of creditable service. For members retiring at 65 or older, the yearly pension amount is 1.52% of AFC multiplied by years of creditable service. For members vested prior to January 1, 2012, AFC is based on the highest three years of creditable service. For members not vested prior to January 1, 2012, or hired on or after July 1, 2011, AFC is based on a member's highest five years of creditable service. At age 65, the yearly pension amount is recalculated with an appropriate graduated reduction based on years and months of creditable service that the member has at the time of retirement.

Contributions Required and Made

The Pension Plan is financed by contributions from the members and participating employers and investment earnings. Contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the Pension Plan's actuary. By statute, the Board of Trustees of NHRS is responsible for the certification of employer contribution rates, which are determined through the preparation of biennial valuations of NHRS's assets by NHRS's actuary using the entry-age normal cost method.

Commencing July 1, 2011, all Group I employees are responsible to accrue contributions at 7.00% of covered payroll.

In terms of the employer share of contributions made to the Pension Plan, the pension contribution rate for Group I employees was 11.08% of covered payroll for the two-year period ended June 30, 2019. Effective July 1, 2019, the contribution rate decreased to 10.88% and will remain fixed through June 30, 2021.

For the years ended June 30, 2020 and 2019, CCSNH contributions to the Pension Plan were $4,945,695 and $4,927,782, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020 and 2019, respectively, CCSNH reported a liability of $52,954,607 and $53,837,038 for its proportionate share of the net pension liability. The 2020 net pension liability is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2019. The net pension liability was rolled forward from June 30, 2018 to June 30, 2019. CCSNH's proportion of the net pension liability was based on a projection of CCSNH's long-term share of contributions to the Pension Plan relative to the projected contributions of all participating employers, as actuarially determined. At June 30, 2020 and 2019, CCSNH's proportion of the net pension liability was 1.1005% and 1.1181%, respectively.

During the years ended June 30, 2020 and 2019, CCSNH recognized pension expense of $3,048,774 and $2,218,261, respectively.

At June 30, 2020, CCSNH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 292,793	$ 1,138,675
Changes in assumptions	1,899,990	-
Net difference between projected and actual investment earnings on pension plan investments	-	432,563
Changes in proportion and differences between employer contributions and share of contributions	-	7,807,918
Contributions subsequent to the measurement date	4,945,695	-
Balances as of June 30, 2020	$ 7,138,478	$ 9,379,156

Amounts reported as deferred outflows related to pensions resulting from CCSNH contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2021	$ (2,198,281)
2022	(3,486,682)
2023	(1,485,995)
2024	(15,415)
	$ (7,186,373)

At June 30, 2019, CCSNH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 429,717	$ 435,920
Changes in assumptions	3,725,789	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,245,836
Changes in proportion and differences between employer contributions and share of contributions	320,239	10,976,939
Contributions subsequent to the measurement date	4,927,782	-
Balances as of June 30, 2019	$ 9,403,527	$ 12,658,695

Actuarial Assumptions

The total pension liability was determined by a roll-forward of the actuarial valuations as of June 30, 2019 using the following actuarial assumptions, which, accordingly, apply to 2018 and 2019 measurements:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	5.60% average, including inflation
Wage inflation	3.25% per year
Investment rate of return	7.25%, net of investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2018 valuations were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015.

Long-Term Rates of Return

The long-term expected rate of return on pension plan investments was selected from a best-estimate range determined using the building-block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

The following table presents target allocations and the geometric real rates of return for 2019 and 2018:

Asset Class	Target Allocation 2019	Target Allocation 2018	Weighted Average Long-Term Expected Real Rate of Return 2019	Weighted Average Long-Term Expected Real Rate of Return 2018
Large cap equities	22.50 %	22.50 %	4.25 %	4.25 %
Small/mid cap equities	7.50	7.50	4.50	4.50
Total domestic equity	30.00	30.00		
International equities (unhedged)	13.00	13.00	4.50	4.50
Emerging international equities	7.00	7.00	6.00	6.00
Total international equities	20.00	20.00		
Core bonds	9.00	4.50	1.12	0.50
Short duration	-	2.50	-	(0.25)
Global multi-sector fixed income	10.00	11.00	2.46	1.80
Absolute return fixed income	6.00	7.00	1.50	1.14
Total fixed income	25.00	25.00		
Private equity	10.00	5.00	7.90	6.25
Private debt	5.00	5.00	4.86	4.25
Opportunistic	-	5.00	-	2.15
Total alternative investments	15.00	15.00		
Real estate	10.00	10.00	3.00	3.25
Total	100.00 %	100.00 %		

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2019 and 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents CCSNH's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what CCSNH's proportionate share of the pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
CCSNH's proportionate share of the net pension liability	$ 70,908,401	$ 52,954,607	$ 38,115,938

7. Other Postemployment Benefits

Plan Description - NHRS OPEB

In addition to providing pension benefits, NHRS administers a cost-sharing multiple-employer defined benefit postemployment medical subsidy healthcare plan designated in statute (RSA 100-A:52, RSA 100-A:52a and RSA 100-A:52-b) by membership type. The membership types are Group I Teachers, Group I Political Subdivision Employees, Group I State Employees, and Group II Police Officer and Firefighters. All CCSNH employees are Group I participants. The NHRS OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. For qualified retirees not eligible for Medicare the subsidy amounts are $375.56 for a single-person plan and $751.12 for a two-person plan. For those qualified retirees eligible for Medicare, the amounts are $236.84 for a single-person plan and $473.68 for a two-person plan. There have been no increases in the monthly maximum subsidy amounts since July 1, 2007. The plan is closed to new entrants.

For CCSNH (Group) I members, substantially all employees who were hired on or before June 30, 2003 and have 10 years of service may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of State service in order to qualify for health coverage benefits. These and similar benefits for active employees are authorized by state law and administered through the Employee and Retiree Benefit Risk Management Fund, which is the State's self-insurance fund, implemented in October 2003, for active State employees and retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Contributions Required and Made

The State Legislature has indicated it plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate.

Plan members are not required to contribute to the NHRS OPEB Plan. CCSNH makes annual contributions to the NHRS OPEB Plan equal to the amount required by RSA 100-A:52. For all Group I employees, effective July 1, 2017 the annual contribution rate was decreased from 1.64% to 1.07% and remained fixed through June 30, 2019. Effective July 1, 2019, the contribution rate decreased to 1.05% and remains fixed through June 30, 2021. CCSNH's contributions for the NHRS OPEB Plan for the years ended June 30, 2020 and 2019 were $464,227 and $461,510, respectively, which were equal to its ARC.

NHRS OPEB Liabilities, NHRS OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to NHRS OPEB

At June 30, 2020, CCSNH reported a liability of $4,443,341 for its proportionate share of the net NHRS OPEB liability. The net NHRS OPEB liability as of June 30, 2020 is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2019. The net OPEB liability was rolled forward from June 30, 2018 to June 30, 2019.

At June 30, 2019, CCSNH reported a liability of $4,723,754 for its proportionate share of the net NHRS OPEB liability. The net NHRS OPEB liability as of June 30, 2019 is based on an actuarial valuation performed as of June 30, 2017 and a measurement date of June 30, 2018. The net NHRS OPEB liability was rolled forward from June 30, 2017 to June 30, 2018.

CCSNH's proportion of the net NHRS OPEB liability was based on a projection of the CCSNH's long-term share of contributions to NHRS relative to the projected contributions of all participating employers as actuarially determined. At June 30, 2019 and 2018, CCSNH's proportion of the net NHRS OPEB liability was 1.01351% and 1.03173%, respectively.

For the years ended June 30, 2020 and 2019, CCSNH recognized OPEB expense (income) of $57,745 and $(254,513), respectively, related to the NHRS OPEB Plan.

At June 30, 2020, CCSNH reported deferred outflows of resources and deferred inflows of resources related to NHRS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	**$ -**	**$ 7,730**
Net difference between projected and actual investment earnings on NHRS OPEB plan investments	**-**	**4,993**
Changes in proportion	**-**	**8,870**
Contributions subsequent to the measurement date	**464,227**	**-**
Balances as of June 30, 2020	**$ 464,227**	**$ 21,593**

Amounts reported as deferred outflows related to pensions resulting from CCSNH contributions subsequent to the measurement date will be recognized as a reduction of the net NHRS OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to NHRS OPEB will be recognized in NHRS OPEB expense as follows:

Year ending June 30,	
2021	$ (19,913)
2022	(3,312)
2023	344
2024	1,288
	$ (21,593)

At June 30, 2019, CCSNH reported deferred outflows of resources and deferred inflows of resources related to NHRS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 27,727	$ 15,009
Changes in proportion	-	158,678
Contributions subsequent to the measurement date	461,510	-
Balances as of June 30, 2019	$ 489,237	$ 173,687

Actuarial Assumptions

The collective total NHRS OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions, which apply to the 2018 and 2019 measurements:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage-of-payroll, closed
Remaining amortization period	Not applicable, under statutory funding
Investment rate of return	7.25% net of investment expenses, include inflation
Salary rate increase	5.60% average, including inflation
Price inflation	2.50% per year
Wage inflation	3.25% per year
Healthcare cost trend rates	Not applicable, given the benefits are fixed stipends
Aging factors	Not applicable, given the benefits are fixed stipends

Mortality rates were based on the RP-2014 healthy annuitant employee generational mortality tables for males and females with credibility adjustments, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 – June 30, 2015.

Long-Term Rates of Return

The long-term expected rate of return on NHRS OPEB plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

Following is a table presenting target allocations and the geometric real rates of return for each asset class:

Asset Class	Target Allocation		Weighted Average Long-Term Expected Real Rate of Return	
	2019	2018	2019	2018
Large cap equities	22.50 %	22.50 %	4.25 %	4.25 %
Small/mid cap equities	7.50	7.50	4.50	4.50
Total domestic equity	30.00	30.00		
International equities (unhedged)	13.00	13.00	4.50	4.50
Emerging international equities	7.00	7.00	6.00	6.00
Total international equities	20.00	20.00		
Core bonds	9.00	4.50	1.12	0.50
Short duration	-	2.50	-	(0.25)
Global multi-sector fixed income	10.00	11.00	2.46	1.80
Absolute return fixed income	6.00	7.00	1.50	1.14
Total fixed income	25.00	25.00		
Private equity	10.00	5.00	7.90	6.25
Private debt	5.00	5.00	4.86	4.25
Opportunistic	-	5.00	-	2.15
Total alternative investments	15.00	15.00		
Real estate	10.00	10.00	3.00	3.25
Total	100.00 %	100.00 %		

Discount Rate

The discount rate used to measure the total NHRS OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made under the current statute by RSA 100-A:16. Based on those assumptions, the NHRS OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on NHRS OPEB plan investments was applied to all periods of projected benefit payments to determine the collective total NHRS OPEB liability.

Sensitivity Analysis

The following presents CCSNH's proportionate share of the net NHRS OPEB liability calculated using the discount rate of 7.25%, as well as what CCSNH's proportionate share of the NHRS OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
CCSNH's proportionate share of the net OPEB liability	$ 4,819,479	$ 4,443,341	$ 4,116,501

NHRS OPEB Plan Fiduciary Net Position

Detailed information about the NHRS OPEB Plans' fiduciary net position is available in the separately issued NHRS annual report available from NHRS' website at https://www.nhrs.org.

The NHRS OPEB plan's fiduciary net position has been determined on the same basis used by NHRS. NHRS's financial statements are prepared using the accrual basis of accounting. Both plan member and employer contributions are recognized in the period in which contributions are legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments. Investments in non-registered commingled funds are valued at net asset value as a practical expedient to estimate fair value.

Plan Description - State OPEB Plan

RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single-employer (primary government and component units) defined benefit plan. These benefits include group hospitalization, hospital medical care, surgical care, and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than in a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for retiree health benefits. All CCSNH employees fall into the Group I category. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of State service and increased the normal retirement age for Group I employees hired after July 1, 2011.

These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund which is the state's self-insurance internal service fund. The State OPEB Plan funds the cost of medical and prescription drug claims by charging actuarially developed working rates to State agencies for participating employees, retirees, and eligible spouses. An additional major source of funding for retiree benefits is from the NHRS medical subsidy payment described previously in this footnote. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The State administers the plan. It does not issue a separate stand-alone financial report.

Contributions Required and Made

The State Legislature has indicated it currently plans to continue to require contributions on a pay-as-you-go basis to fund benefits paid. CCSNH's contributions to the State for the years ended June 30, 2020 and 2019 were $1,562,687 and $1,403,135, respectively.

State OPEB Plan Liabilities, State OPEB Plan Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State OPEB Plan

At June 30, 2020, CCSNH reported a liability of $86,970,326 for its proportionate share of the State OPEB Plan liability. The State OPEB Plan liability at June 30, 2020 was determined by an actuarial valuation as of December 31, 2018 adjusted forward to a measurement date of June 30, 2019. The State OPEB Plan liability was rolled forward from December 31, 2018 to June 30, 2019.

At June 30, 2019, CCSNH reported a liability of $94,170,836 for its proportionate share of the State OPEB Plan liability. The State OPEB Plan liability at June 30, 2019 was determined by an actuarial valuation as of December 31, 2016 adjusted forward to a measurement date of June 30, 2018. The State OPEB Plan liability was rolled forward from December 31, 2016 to June 30, 2018.

CCSNH's proportion of the State OPEB Plan liability was based on a projection of CCSNH's long-term share of contributions to the State relative to the projected contributions of all participating employers as actuarially determined. At June 30, 2019 and 2018, CCSNH's proportion of the State OPEB Plan's liability was 4.844% and 4.930%, respectively.

For the years ended June 30, 2020 and 2019, CCSNH recognized OPEB income of $4,333,049 and $9,854,326, respectively, related to the State OPEB Plan.

At June 30, 2020, CCSNH reported deferred outflows of resources and deferred inflows of resources related to State OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 34,083,819
Differences between expected and actual experience	-	1,398,023
Changes in proportion	581,915	1,851,188
Unamortized difference between proportionate share contributions and contributions paid	-	1,246,627
Proportionate share of contributions subsequent to the measurement date	2,159,000	-
Balances as of June 30, 2020	$ 2,740,915	$ 38,579,657

Amounts reported as deferred outflows related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total State OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to State OPEB Plan will be recognized in State OPEB Plan expense as follows:

Year ending June 30,	
2021	$ (11,090,326)
2022	(11,090,326)
2023	(11,090,326)
2024	(4,726,764)
	$ (37,997,742)

At June 30, 2019, CCSNH reported deferred outflows of resources and deferred inflows of resources related to State OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 35,642,137
Differences between expected and actual experience	-	575,515
Changes in proportion	775,887	660,982
Unamortized difference between employer contributions and proportionate share of contributions	-	962,221
Proportionate contributions subsequent to the measurement date	2,531,000	-
Balances as of June 30, 2019	$ 3,306,887	$ 37,840,855

Actuarial Assumptions

The collective total State OPEB Plan liability was determined by a roll forward of the actuarial valuation as of December 31, 2018, using the following actuarial assumptions, which apply to the 2018 and 2019 measurements:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Investment rate of return	Not applicable as there are no invested assets
Salary rate increase - Group I	13.25% decreasing over 9 years to an ultimate level of 3.75%, including inflation
Discount rate	3.50% as of June 30, 2019 and 3.87% as of June 30, 2018
Price inflation	3.25% per year
Wage inflation	3.25% per year

Contributions:

- Retiree contributions are expected to increase with a blended medical and prescription drug trend.

Mortality rates were based on the following:

- Pre-retirement mortality rates – Healthy: RP-2014 employee mortality table projected generationally for males and females with Scale MP-2015.

Postretirement mortality rates:

- Healthy: RP-2014 healthy annuitant mortality table projected generationally for males and females with Scale MP-2015.
- Disabled: RP-2014 disabled annuitant mortality table projected generationally for males and females with Scale MP-2015.

The following scale factors for each member classification are applied to all mortality tables:

Scale - Male	116 %
Scale - Female	124 %

As of January 1, 2019, the State implemented a Medicare Advantage plan which had a significant impact on the assumptions used and the overall change in the liability at June 30, 2020 and 2019. The post-65 medical claims costs for 2019 and 2020 were updated to reflect implementation of the Medicare Advantage Plan effective January 1, 2019. The Medicare Advantage per participant per month premium rate for the calendar year 2019 and 2020 is $124.26 and $109.11, respectively.

Healthcare trend rates are based on the following:

Medical:
- Non-Medicare: 6.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
- Medicare: (12.2%) for one year then 4.5% per year.

Prescription Drug:
- Non-Medicare: 8.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
- Medicare: 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.

The actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015.

Discount Rate

Because the State OPEB Plan is not funded, the discount rate is based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index.

Changes in Assumptions

The trend assumptions were revised from the 2018 measurements to the 2019 measurements to reflect current and future expectations. In addition, the discount rate used to measure the total State OPEB Plan liability was decreased from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

Sensitivity Analysis

The following presents CCSNH’s proportionate share of the total State OPEB liability calculated using the discount rate of 3.50%, as well as what CCSNH’s proportionate share of the State OPEB Plan liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
CCSNH's proportionate share of the total State OPEB liability	$ 98,995,311	$ 86,970,326	$ 76,646,061

The following presents CCSNH’s proportionate share of the total State OPEB liability calculated using the current trend rates, as well as what CCSNH’s proportionate share of the State OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Trend Rates	1% Increase
CCSNH's proportionate share of the total State OPEB liability	$ 73,861,422	$ 86,970,326	$ 103,644,112

8. Contingencies and Commitments

Operating Lease Obligations

CCSNH leases certain equipment and real estate under leases with terms exceeding one year. Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2020 are as follows:

Year ending June 30,	
2021	$ 1,283,864
2022	1,034,647
2023	544,771
2024	449,616
2025	437,584
2026 to 2030	962,824
2031 to 2035	831,350
2036 to 2040	831,350
2041 to 2045	831,350
2046 to 2050	831,350
2051 to 2055	831,350
2056 to 2060	332,540
	$ 9,202,596

Total expense related to operating leases (with initial or remaining lease terms in excess of one year) amounted to $1,412,592 and $1,226,829 for the years ended June 30, 2020 and 2019, respectively. During October 2019, CCSNH modified a lease agreement for the housing at LRCC to rent one less floor in the building, which results in a 25% reduction in future lease payments. The revised lease terms represent a savings of $118,800 per year for 2020-2022 in the table above.

Union Contracts

Substantially all of CCSNH's employees are covered by a collective bargaining agreement, except for executive officers and confidential personnel. As of March 2017, CCSNH faculty were represented by the NH Higher Education Union (NHHEU), which is part of the International Brotherhood of Electrical Workers, 2320. The current contract expired June 30, 2019. CCSNH and the NHHEU are currently engaged in contract negotiations for the full-time faculty bargaining unit.

Certain adjunct faculty of CCSNH are covered by a collective bargaining agreement, separate from the agreement described in the previous paragraph, and are represented by the State Employees' Association of New Hampshire, Inc., which is part of the SEIU 1984, CTW, CLC. The current collective bargaining agreement has a period of October 25, 2017 through December 31, 2018. CCSNH and the SEIU are currently engaged in contract negotiations for the adjunct faculty bargaining unit.

CCSNH staff are covered by a collective bargaining agreement, separate from the agreement described previously, also currently represented by the State Employees' Association of New Hampshire, Inc., which is part of the Service Employees International Union Local 1984, CTW, CLC (SEIU). The current collective bargaining agreement for CCSNH staff has a period of February 7, 2020 through September 30, 2021.

Contingencies

CCSNH participates in various federally-funded programs. These programs are subject to financial and compliance audits and resolution of identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time.

CCSNH is involved in various claims and legal actions arising in the ordinary course of business. The ultimate disposition of these matters is indeterminable but, in the opinion of management, the amount of ultimate liability would not have a significant impact on CCSNH's financial condition.

Commitments

CCSNH has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2020:

	Expended through June 30, 2020	Committed Future Costs	Total Committed Costs of Project
NHTI	$ 1,506,907	$ 32,001	$ 1,538,908
MCC	327,431	295,119	622,550
GBCC	75,994	5,584	81,578
LRCC	537,396	101,085	638,481
WMCC	5,258	9,742	15,000
Total	$ 2,452,986	$ 443,531	$ 2,896,517

9. Investments

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a fair value hierarchy for investments that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are securities listed in active markets. The Foundation has valued its investments, listed on national exchanges, at the last sales price as of the day of the valuation.
- Level 2: Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets which are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset of liability. The fair values are therefore determined using model-based techniques that incorporate these inputs.
- Level 3: Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include discounted cash flow models and similar techniques.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with those investments.

CCSNH Investments

CCSNH operating investments consist of an investment in a short-term bond mutual fund. The fund targets a dollar-weighted average maturity of 0.75 years or less and invests in U.S dollar-denominated money market and high-quality, investment-grade debt securities, primarily in the financial service industry. The fund's investments in fixed-rate securities have a maximum maturity of two years and investments in floating-rate securities have a maximum maturity of three years.

Long-term investments include the UNIQUE endowment funds assets and other unrestricted investments. The State Uniform Prudent Management of Institutional Funds Act requires the preservation of the original gift (corpus value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The System classifies as permanently restricted net position: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Subject to the intent of a donor expressed in the gift instrument, the System may appropriate for expenditure or accumulate so much of an endowment fund as the System determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% while growing the funds, if possible. Cumulative appreciation on these funds was $4,276,292 and $4,125,727 at June 30, 2020 and 2019, respectively and is reported in restricted expendable net position.

The System manages interest rate risk according to its investment policy by maintaining investments that are both liquid, as determined by a readily available market, and highly diversified, using institutional class mutual funds or exchange-traded funds.

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, CCSNH will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of CCSNH, and are held by either the counterparty or the counterparty's trust department or agency, but not in CCSNH's name. As of June 30, 2020 and 2019, CCSNH's investments included in the statements of net position were not exposed to custodial credit risk. The investments were held by the counterparty, in the name of CCSNH.

Investments held by CCSNH were comprised of the following at June 30, 2020:

	Level 1	**Level 2**	**Level 3**
Equity mutual funds	**$ 16,054,686**	**$ -**	**$ -**
Fixed-income mutual funds	**15,382,949**	**-**	**-**
Total	**$ 31,437,635**	**$ -**	**$ -**

Investments held by CCSNH were comprised of the following at June 30, 2019:

	Level 1	Level 2	Level 3
Equity mutual funds	$ 14,729,629	$ -	$ -
Fixed-income mutual funds	14,654,101	-	-
Total	$ 29,383,730	$ -	$ -

A summary of fixed-income mutual fund maturities as of June 30, 2020 and 2019 is as follows:

2020		2019	
Amount	**Maturities**	Amount	Maturities
$ 132,670	**2.7 years**	$ 119,859	2.7 years
-	**2.9 years**	283,693	2.9 years
9,211,469	**Less than a year**	9,023,134	Less than a year
6,038,810	**N/A**	5,227,415	N/A
$ 15,382,949		$ 14,654,101	

The maturities are the weighted averages of the debt securities in which the funds invest.

CCSNH has not defined a limit in its investment policies regarding the amount that can be placed with one issuer. However, the investment policy defines that the portfolio should be well diversified as to limit exposure to one issuer or security. As of June 30, 2020 individual investments representing more than 5% of the CCSNH's investments were as follows:

	Percentage of Investments
Strategic Advisors Core Fund	18.5%
Strategic Advisors Growth Fund	5.9%
Strategic Advisors Value Fund	5.5%
Strategic Advisors International Fund	10.6%
Strategic Advisors Core Income Fund	15.3%

Community Colleges of New Hampshire Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% while growing the funds, if possible. Actual returns may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Investments held by the Foundation were comprised of the following at June 30, 2020:

	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 136,303**	**$ -**	**$ -**
Equities	**3,427,230**	**-**	**-**
Fixed-income	**830,373**	**-**	**-**
Total	**$ 4,393,906**	**$ -**	**$ -**

Investments held by the Foundation were comprised of the following at June 30, 2019:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 334,586	$ -	$ -
Equities	3,099,376	-	-
Fixed-income	838,486	-	-
Total	$ 4,272,448	$ -	$ -

10. Risk Management

CCSNH is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disaster for which CCSNH carried insurance.

CCSNH has insurance coverage that includes automotive, crime, employment practices, fire, general liability, pollution, theft, and workers' compensation. There have been no significant changes in insurance coverage during the past fiscal year. Settlements did not exceed coverage amounts during fiscal years 2020 and 2019.

11. COVID-19 Considerations

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic. Local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19 by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group gatherings. Most sectors are experiencing disruption to business operations and may feel further impacts related to delayed government reimbursement. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and additional government actions to mitigate them. Accordingly, while management expects this matter to impact operating results, the related financial impact and duration cannot be reasonably estimated.

In April 2020, CCSNH was awarded approximately $5,600,000 of CARES Act Higher Education Emergency Relief Funds (HEERF). Under the terms of the HEERF grant agreement, 50% of the award is to be awarded to students as emergency financial aid for student expenses incurred related to COVID-19. The remaining 50% is to be used to cover certain costs the System incurred as a result of the financial impact of COVID-19. At June 30, 2020, the System had expended $3,836,851 of the HEERF funding. The remaining amount has not been received or expended as of June 30, 2020.

In June 2020, the System was awarded a grant from the State of New Hampshire's Governor's Office for Emergency Relief and Recovery (GOFERR) that will not exceed $5,000,000. The GOFERR grant is a pass-through grant provided to the State of New Hampshire through the CARES Act. The GOFERR grant will be used by the System to cover eligible costs outlined in the grant agreement that are incurred through December 31, 2020. At June 30, 2020, the System had expended $346,044 of the funding. The remaining amount has not been received or expended as of June 30, 2020.

In April 2020, the NHTI campus was designated an alternative care site for COVID-19 patients. Funding is expected to be received from FEMA to reimburse costs with setting up the alternative care site. At June 30, 2020, the System incurred $1,252,482 of expenses that included the costs to prepare the site for use and to store items previously used in the space. As of June 30, 2020, the amounts recognized as revenue are recorded as a receivable.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information (Unaudited)

Measurment Date June 30

Schedule of Collective Net Pension Liability *

	June 30, 2020	2019	2018	2017	2016	2015
Employer proportion of the collective net pension liability	1.1005 %	1.1181 %	1.2800 %	1.3580 %	1.5230 %	1.5521 %
Employer's proportionate share of the collective net pension liability	$52,954,607	$53,837,038	$62,952,418	$72,213,216	$60,334,154	$58,259,797
Employer's covered-employee payroll	$44,474,567	$45,853,123	$40,724,800	$40,875,944	$46,847,155	$35,091,551
Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered employee-payroll	119 %	117 %	155 %	177 %	129 %	166 %
Plan fiduciary net position as a percentage of the total pension liability	65.59 %	64.73 %	56.22 %	58.30 %	65.47 %	66.32 %

** Schedule is intended to show 10 years. Additional years will be added as they become available.*
Information above is presented as of the measurement date for the respective reporting periods.

Required Supplementary Information (Unaudited)

Years Ended June 30

Schedule of Employer Contributions *

	Years ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Required employer contribution**	$ 4,945,695	$ 4,927,782	$ 5,080,526	$ 5,090,600	$ 5,109,493	$ 4,923,636	$ 3,688,122
Actual employer contribution**	$ 4,945,695	$ 4,927,782	$ 5,080,526	$ 5,090,600	$ 5,109,493	$ 4,923,636	$ 3,688,122
Difference	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$45,456,756	$44,474,567	$45,853,123	$40,724,800	$40,875,944	$46,847,155	$35,091,551
Employer contribution as a percentage of the employer's covered-employee payroll	10.88 %	11.08 %	11.08 %	12.50 %	12.50 %	10.51 %	10.51 %

** Schedule is intended to show 10 years. Additional years will be added as they become available.*
*** Contributions above are annual contributions subsequent to the measurement period.*
Information above is presented as of CCSNH's fiscal year end for the respective reporting periods.

Notes to the Required Supplementary Information-Pension

Changes of assumptions:	The roll-forward of the total pension liability from June 30, 2018 to June 30, 2019 reflects expected service and interest costs reduced by actual benefit payments. The roll-forward of the total pension liability from June 30, 2017 to June 30, 2018 reflects expected service and interest costs reduced by actual benefit payments. The roll-forward of the total pension liability from June 30, 2016 to June 30, 2017 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year. The roll-forward of the total pension liability from June 30, 2015 to June 30, 2016 reflects expected service cost and interest reduced by actual benefit payments. Actuarially determined contribution rates for the 2012-2013 biennium were determined based on the June 30, 2009 actuarial valuation. Actuarially determined contribution rates for the 2014-2015 biennium were determined based on the June 30, 2011 actuarial valuation. Actuarially determined contribution rates for the 2016-2017 biennium were determined based on the June 30, 2013 actuarial valuation. Actuarially determined contribution rates for the 2017-2018 biennium were determined based on the June 30, 2015 actuarial valuation. Actuarially determined contribution rates for the 2018-2019 biennium were determined based on the June 30, 2017 actuarial valuation. Actuarially determined contribution rates for the 2020-2021 biennium were determined based on the June 30, 2018 actuarial valuation.

COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE
(A Component Unit of the State of New Hampshire)

Required Supplementary Information (Unaudited)

Measurment Date June 30

Schedule of Collective Net OPEB Liability (NHRS OPEB Plan)*

	June 30, 2020	2019	2018	2017
Employer proportion of the collective net NHRS OPEB Plan liability	1.014 %	1.032 %	1.195 %	1.264 %
Employer's proportionate share of the collective net NHRS OPEB Plan liability	$ 4,443,341	$ 4,723,754	$ 5,462,993	$ 6,118,030
Employer's covered-employee payroll	$43,131,776	$42,702,430	$45,010,854	$44,776,463
Employer's proportionate share of the collective net NHRS OPEB Plan liability as a percentage of the employer's covered employee-payroll	10.30 %	11.06 %	12.14 %	13.66 %
Plan fiduciary net position as a percentage of the total NHRS OPEB Plan liability	7.75 %	7.53 %	7.91 %	5.21 %

** Schedule is intended to show 10 years. Additional years will be added as they become available.*
Information above is presented as of the measurement date for the respective reporting periods.

Schedule of Employer Contributions (NHRS OPEB Plan)*

	Years ended June 30, 2020	2019	2018	2017
Required employer contributions**	$ 464,227	$ 461,510	$ 456,916	$ 738,178
Actual employer contributions**	$ 464,227	$ 461,510	$ 456,916	$ 738,178
Employer's covered-employee payroll	$44,212,095	$43,131,776	$42,702,430	$45,010,854
Employer contribution as a percentage of the employer's covered-employee payroll	1.05 %	1.07 %	1.07 %	1.64 %

** Schedule is intended to show 10 years. Additional years will be added as they become available.*
*** Contributions above are annual contributions during the measurement period.*
Information above is presented as of CCSNH's fiscal year end for the respective reporting periods.

Notes to the Required Supplementary Information (NHRS OPEB Plan)

There were no changes of assumptions subsequent to July 1, 2016.

Note: The roll-forward of the total NHRS OPEB Plan liability from June 30, 2017 to June 30, 2018 and from June 30, 2018 to June 30, 2019 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year.

COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE
(A Component Unit of the State of New Hampshire)

Required Supplementary Information (Unaudited)

Measurment Date June 30

Schedule of Changes in the Total OPEB Liability (State OPEB Plan)*

	Years ended June 30, 2020	2019	2018
Total State OPEB Plan liability			
Service cost	$ 63,316,502	$ 76,699,396	$ 111,333,637
Interest	75,264,960	81,507,353	84,314,931
Differences between expected and actual experience	(24,532,584)	(7,652,967)	(7,885,961)
Changes of assumptions	(177,242,643)	(235,526,750)	(784,281,319)
Changes in benefit terms	-	(182,835,031)	-
Benefits	(51,332,000)	(51,625,000)	(49,772,000)
Net change in total State OPEB Plan liability	(114,525,765)	(319,432,999)	(646,290,712)
Total State OPEB Plan liability, beginning of year	1,909,987,626	2,229,420,625	2,875,711,337
Total State OPEB Plan liability, end of year	$ 1,795,461,861	$ 1,909,987,626	$ 2,229,420,625

Schedule of Collective Total OPEB Liability (State OPEB Plan)*

	June 30, 2020	2019	2018	2017
Employer proportion of the collective total State OPEB Plan liability	4.8440 %	4.9304 %	4.9660 %	4.9255 %
Employer's proportionate share of the collective total State OPEB Plan liability	$86,970,326	$94,170,836	$110,713,469	$141,644,569
Employer's covered-employee payroll	$44,474,567	$45,853,123	$ 40,724,800	$ 40,875,944
Employer's proportionate share of the collective total State OPEB Plan liability as a percentage of its covered employee-payroll	196 %	205 %	272 %	347 %

** Schedule is intended to show 10 years. Additional years will be added as they become available.*
Information above is presented as of the measurement date for the respective reporting periods.

Notes to the Required Supplementary Information (State OPEB Plan)

There are no assets accumulated in a trust that meets the criteria in GASB 75 paragraph 4 to pay related benefits.

Changes of assumptions:	Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations.
	The discount rate decreased from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.
	The discount rate increased from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.
	The discount rate increased from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Community College System of New Hampshire
(A Component Unit of the State of New Hampshire)

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely-presented component unit of the Community College System of New Hampshire (a Component Unit of the State of New Hampshire) (CCSNH), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements, and have issued our report thereon dated November 20, 2020. We did not audit the financial statements of the discretely-presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the discretely-presented component unit, was based solely on the report of the other auditor. The financial statements of the discretely-presented component unit were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance associated with the discretely-presented component unit.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CCSNH's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCSNH's internal control. Accordingly, we do not express an opinion on the effectiveness of CCSNH's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCSNH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CCSNH's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCSNH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 20, 2020