

STATE OF NORTH CAROLINA

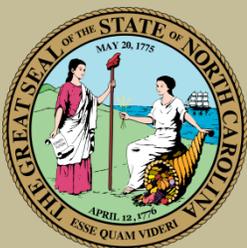
OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



THE UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE

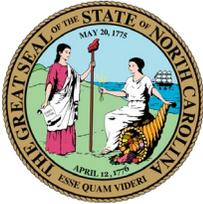
CHARLOTTE, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2021

A CONSTITUENT INSTITUTION OF THE UNIVERSITY OF NORTH CAROLINA
SYSTEM AND A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, The University of North Carolina at Charlotte

We have completed a financial statement audit of The University of North Carolina at Charlotte for the year ended June 30, 2021, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Beth A. Wood, CPA
State Auditor



**Beth A. Wood, CPA
State Auditor**

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Chapter 147, Article 5A of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The University of North Carolina at Charlotte
Charlotte, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of The University of North Carolina at Charlotte (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of The University of North Carolina at Charlotte, and its discretely presented component unit, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the following:

- The financial statements of The University of North Carolina at Charlotte Investment Fund, Inc., which represent 4.98 percent and 3.03 percent, respectively, of the assets and revenues of the University's business-type activities, and 100 percent of the assets and revenues of the University's fiduciary activities.
- The financial statements of The University of North Carolina at Charlotte Facilities Development Corporation, Inc., which represent 0.13 percent of the revenues of the University's business-type activities.
- The consolidated financial statements of The Foundation of the University of North Carolina at Charlotte, Inc., the University's discretely presented component unit.

The financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2021, The University of North Carolina at Charlotte adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAGAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 15, 2021 on our consideration of the University'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 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 internal control over financial reporting

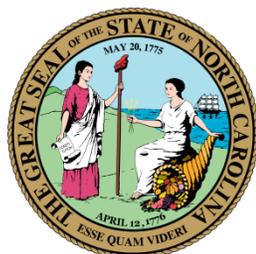
or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Beth A. Wood". The signature is written in a cursive, flowing style.

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 15, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The University of North Carolina at Charlotte (UNC Charlotte or University) provides the following discussion and analysis as an overview of the University's financial position and activities for the year ended June 30, 2021, and to provide assistance in understanding the accompanying financial statements and notes. Comparative information for the year ended June 30, 2020 is included, emphasizing current year data and material changes between the two fiscal years, as well as information on currently known facts, decisions, and conditions affecting the financial affairs of the University.

Using the Financial Statements

The University's financial statements are prepared in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic proprietary fund financial statements. Funds held in a fiduciary capacity are reported in separate fiduciary statements.

UNC Charlotte is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*. Note that while The Foundation of the University of North Carolina at Charlotte, Inc. (Foundation) is reported as a discretely presented component unit of the University due to the nature and significance of its relationship to the University, this discussion and analysis excludes it except where specifically noted. For more details on the University's component units, see Note 1 to the Financial Statements.

The University's financial report includes three UNC Charlotte Proprietary Fund financial statements to evaluate financial position as of June 30th and the results of operations for the fiscal year then ended:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows (identifies sources and uses of cash during the fiscal year)

The report includes two financial statements for the Fiduciary Fund, per GASB Statement No. 84, *Fiduciary Activities*:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position

The Statement of Fiduciary Net Position includes assets, liabilities, and net position for external pool participants in the University's External Investment Fund that are held in a custodial capacity. The Statement of Changes in Fiduciary Net Position reports the additions and deductions to these custodial funds during the period. See Note 1J for additional information regarding the University's fiduciary activities.

It also includes two financial statements from the University's Foundation:

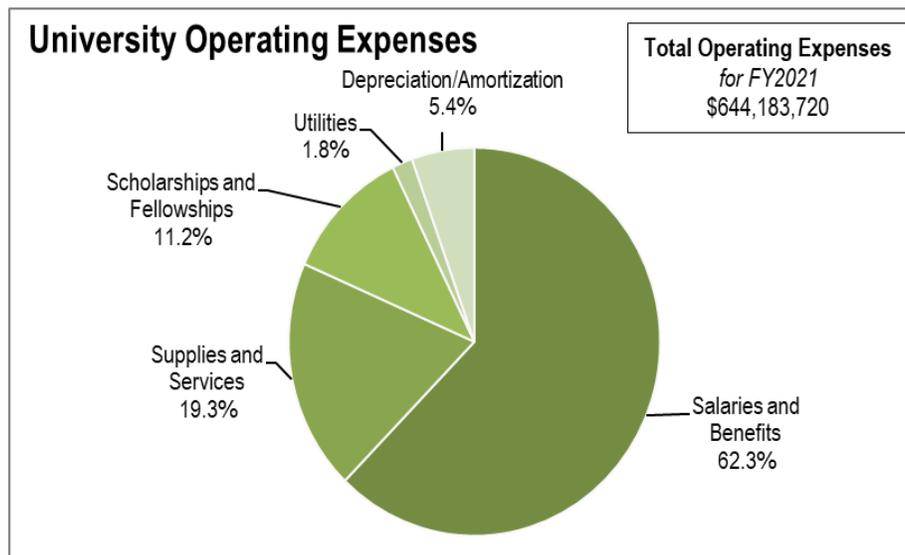
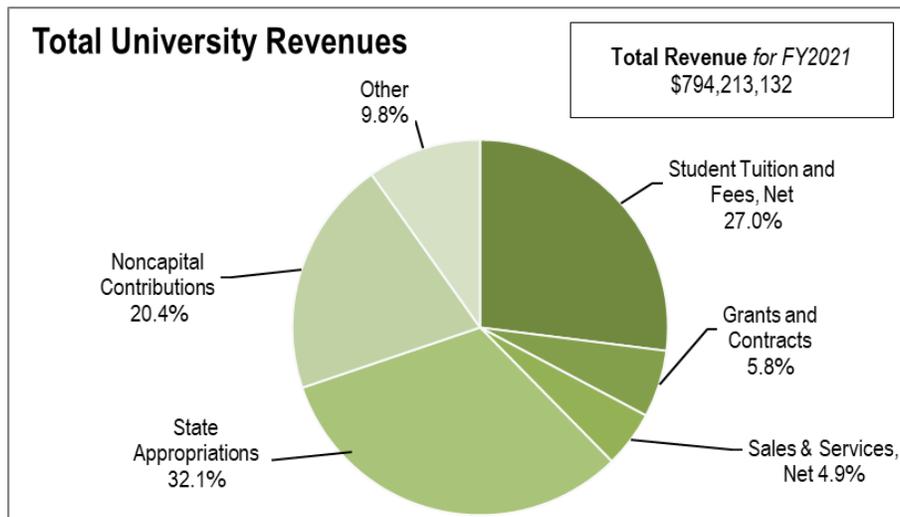
- Consolidated Statement of Financial Position
- Consolidated Statement of Activities

Management's discussion and analysis will concentrate on the University's Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position as condensed comparative financial information is not required for fiduciary activities.

The accompanying Notes to the Financial Statements should be read in conjunction with the financial statements to ascertain a full understanding of the data presented in this report. These disclosures provide information to better understand details, risk, and underlying assumptions associated with amounts reported in the financial statements.

Financial Highlights

The University's total assets increased this fiscal year by 8.4%, or \$163.5 million, to \$2.1 billion at June 30, 2021. Net position increased by 19.1%, or \$127.5 million, to \$796.3 million, reflecting general financial strength. The change in net position is a key measure of the sum effect of the University's fiscal year activities on its financial health. The University recognized \$794.2 million in revenues and incurred \$644.2 million in operating expenses. Revenues and operating expenses as percentages of totals are shown below.

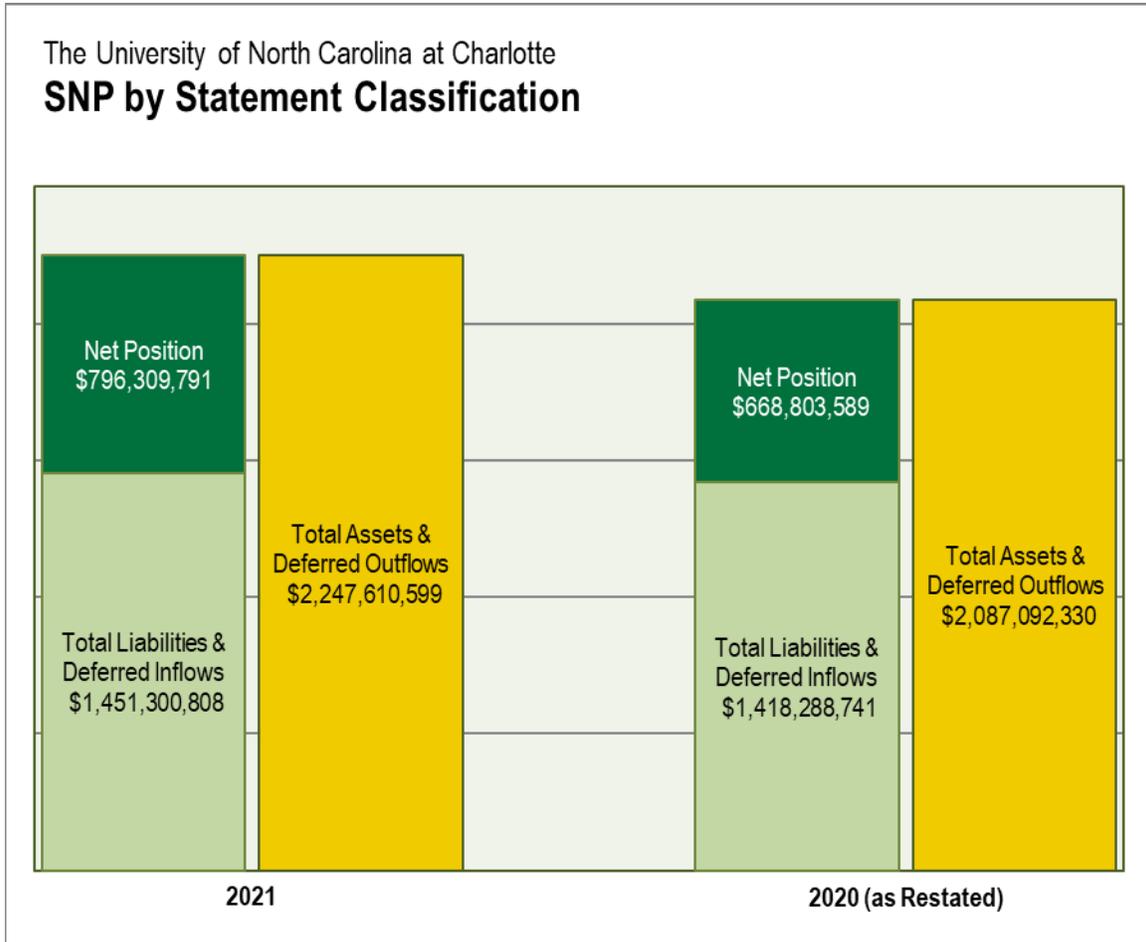


Comparative Condensed Financial Statement Information

Statement of Net Position

The Statement of Net Position (SNP) summarizes the financial position of the University by presenting its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of the end of the fiscal year. The SNP is a point-in-time financial statement and presents a fiscal snapshot of the University.

The following graph presents a comparison of net position and the categories that comprise net position at June 30, 2021 and June 30, 2020:



The SNP presents a summary of all assets available to continue the operations of the University. The statement also presents a summary of all liabilities, or amounts owed to vendors, investors, and lending institutions. Deferred outflows and inflows of resources represent the consumption or acquisition of net position, respectively, that are applicable to future periods but do not meet the definition of assets or liabilities. Finally, the SNP presents a summary of the net position, which represents the residual interest in the University's assets and deferred outflows of resources, net of its liabilities and deferred inflows of resources.

The following table summarizes and compares condensed balances as reported on the University's SNP as of June 30, 2021 and June 30, 2020. The 2020 balances have been

adjusted for the implementation of GASB Statement No. 84, *Fiduciary Activities*, in which the Athletic Foundation's portion of the external investment pool is now reported in a separate fiduciary statement.

Condensed Statement of Net Position - Proprietary Fund	2021	2020 (as Restated)	Change	
			Amount	Percent
Assets:				
Current Assets	\$ 399,255,169	\$ 369,169,653	\$ 30,085,516	8.1%
Noncurrent Assets:				
Endowment and Other Investments	189,650,198	85,204,222	104,445,976	122.6%
Capital Assets, Net	1,487,692,366	1,467,609,468	20,082,898	1.4%
Other Noncurrent Assets	39,387,501	30,462,013	8,925,488	29.3%
Total Assets	2,115,985,234	1,952,445,356	163,539,878	8.4%
Deferred Outflows of Resources:				
Deferred Loss on Refunding	9,902,348	3,252,358	6,649,990	204.5%
Deferred Outflows Related to Pensions & OPEB	121,723,017	131,394,616	(9,671,599)	-7.4%
Total Deferred Outflows of Resources	131,625,365	134,646,974	(3,021,609)	-2.2%
Liabilities:				
Current Liabilities	54,781,427	56,084,475	(1,303,048)	-2.3%
Noncurrent Liabilities:				
Long-Term Liabilities, Net	1,178,188,193	1,166,191,362	11,996,831	1.0%
Other Noncurrent Liabilities	12,401,310	2,723,734	9,677,576	355.3%
Total Liabilities	1,245,370,930	1,224,999,571	20,371,359	1.7%
Deferred Inflows of Resources:				
Deferred Gain on Refunding	25,438	51,215	(25,777)	-50.3%
Deferred Inflows Related To Pensions & OPEB	205,904,440	193,237,955	12,666,485	6.6%
Total Deferred Inflows of Resources	205,929,878	193,289,170	12,640,708	6.5%
Net Position:				
Net Investment in Capital Assets	939,518,252	908,738,326	30,779,926	3.4%
Restricted:				
Nonexpendable	47,516,605	47,383,919	132,686	0.3%
Expendable	57,428,850	43,863,030	13,565,820	30.9%
Unrestricted	(248,153,916)	(331,181,686)	83,027,770	25.1%
Total Net Position	\$ 796,309,791	\$ 668,803,589	\$ 127,506,202	19.1%

Net position increased to \$796.3 million as of June 30, 2021, reflecting the general financial strength of the University. Other highlights of the information presented on the SNP:

- Total assets increased by \$163.5 million, or 8.4%, to \$2.1 billion at June 30, 2021.
 - Current assets are those that are available to pay for current liabilities or current year expenditures. Current assets increased by \$30.1 million in fiscal year 2021, or 8.1%, primarily due to a \$24.6 million increase in institutional trust funds resulting from decreased operating expenses and grant funds received to reimburse lost auxiliary revenues. Receivables increased by \$6.3 million, mainly due to a receivable of Higher Education Emergency Relief Funds provided by the U.S. Department of Education, which was drawn in early July 2021.
 - Total noncurrent assets increased by \$133.5 million, or 8.4%, during the fiscal year, primarily due to a \$106.0 million increase in endowment investments, a \$20.1 million increase in net capital assets and a \$9.4 million increase in noncurrent restricted cash

and cash equivalents, offset by a \$1.6 million decrease in restricted investments. Total endowment investments increased primarily due to the UNC Charlotte Hotel and Conference Center property held for investment of \$81.8 million and a \$24.1 million increase in investment market performance. The increases in net capital assets are discussed in detail in the Capital Assets and Debt Administration section. Noncurrent restricted cash and cash equivalents increased mainly from an increase in cash restricted for repairs and renovations due to a legislative change relating to the cash carryforward.

- Total deferred outflows of resources decreased by \$3.0 million during the fiscal year. This change is due to a \$13.0 million decrease in deferred outflows related to other postemployment benefits (OPEB), offset by a \$6.6 million increase in the deferred loss on refunding of debt and a \$3.4 million increase in deferred outflows related to pensions. The deferred loss on refunding is related to the issuance of debt in March that is further discussed in the Capital Asset and Debt Administration section. The remaining deferred outflow measures fluctuate each year due to changes in pension and OPEB liability/asset assumptions and calculation inputs, such as differences between projected and actual investment earnings, and changes in the University's proportion of the liabilities/assets. Changes of assumptions and changes in the University's proportion of the Retiree Health Benefit Fund (RHBF) liability accounted for the decrease in deferred outflows related to OPEB. Changes of assumptions used to calculate the State's pension liability and differences between projected and actual earnings on pension plan investments accounted for the increase in deferred outflows related to pensions.
- Total liabilities increased by \$20.4 million, or 1.7%, to \$1.2 billion at June 30, 2021.
 - Long-term liabilities, net increased by \$12.0 million, or 1.0%, during the fiscal year. The University's portion of the State's net pension liability increased by \$13.7 million to \$90.0 million, and the University's portion of the State's net OPEB liability decreased by \$57.9 million to \$429.4 million. See sections on deferred outflows/inflows of resources related to pensions and OPEB for more details about these fluctuations, as well as Notes 13 and 14 to the Financial Statements. Additional changes included a \$70.9 million increase in long-term liabilities related to the UNC Charlotte Hotel and Conference Center. The noncurrent portion of long-term debt outstanding decreased by \$14.8 million due to refunding of debt and principal payments made on outstanding debt during the year.
 - Other long-term liabilities increased by \$9.7 million, mainly due to a \$9.6 million increase in unearned revenue relating to the franchisor, operator, and the the City of Charlotte investments in the new UNC Charlotte Hotel and Conference Center.
- Total deferred inflows of resources increased by \$12.6 million during the fiscal year, mainly attributable to OPEB. As with the deferred outflows of resources related to pensions and OPEB, the related deferred inflow measures fluctuate each year due to changes in net OPEB liability/asset assumptions and calculation inputs, such as changes in the discount rate, differences between projected and actual investment earnings, and changes in the University's proportion of the liabilities/assets. Increase in changes of assumptions used to calculate the State's net RHBF liability, offset by decreases in differences between projected and actual experience and changes in the University's proportion of the liabilities/assets accounted for the \$12.8 million increase in deferred inflows related to OPEB.

- Net Position is divided into three major categories:
 - Net investment in capital assets: Represents the University's net equity in material property, plant, and equipment owned by the University, which increased by \$30.8 million this fiscal year. Reference the Capital Assets and Debt Administration section for further details.
 - Restricted Net Position
 - Nonexpendable: The corpus of nonexpendable restricted resources (e.g., endowments) that are available for investment purposes. The University's nonexpendable net position did not materially change in fiscal year 2021.
 - Expendable: Restricted resources that must be spent for purposes as determined by donors and external entities that have placed time or purpose restrictions on the use of the assets. The University's increase in expendable restricted net position of \$13.6 million was mainly related to the increase in investments discussed above.
 - Unrestricted Net Position: Represents net equity available for any lawful purpose of the University. The University's unrestricted net position increased by \$83.0 million this fiscal year due to a \$60.8 million increase in operating funds, the majority of which was from coronavirus aid received to offset losses of operating revenue and other costs as a result of the pandemic, and a \$22.3 million decrease in pension and OPEB obligations.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, as amended*, along with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which were effective beginning with fiscal years 2015 and 2018, respectively, have a material effect on the University's reported unrestricted net position. To aid in understanding the continuing impact of GASB Statement Nos. 68 and 75 on available resources, see Note 10 (Net Position) to the Financial Statements, along with the summary below. The net pension obligation of \$51.5 million and the net OPEB obligation for the Retiree Health Benefit Fund (RHBF) of \$552.7 million create a combined \$604.2 million negative impact on the University's unrestricted net position. Without these reported obligations, the University's available resources are \$356.1 million, an increase of \$60.8 million, or 20.6%, from the prior year. This amount represents available, unrestricted resources held by the University and its blended component units, along with any operating state funds authorized for carryforward.

Effect of GASB Statement Nos. 68 and 75 on Unrestricted Net Position	2021	2020	Change
Available Resources	\$ 356,081,126	\$ 295,314,877	\$ 60,766,249
Pension Net Obligation (GASB Stmt. No. 68)	(51,521,868)	(41,297,544)	(10,224,324)
OPEB Net Obligation (GASB Stmt. No. 75)	(552,713,174)	(585,199,019)	32,485,845
Total Unrestricted Net Position	\$ (248,153,916)	\$ (331,181,686)	\$ 83,027,770

The net OPEB obligation reported above relates to the RHBF. Two key drivers of the increase of \$22.3 million in the net pension and OPEB obligations were the change of assumptions used to value the net RHBF liability, as well as the change in the proportion of the RHBF liability allocated to the University. The Disability Income Plan of North Carolina (DIPNC) was in an

asset position as of June 30, 2021, and its positive net effect on the University's restricted net position was \$1.4 million. More information on both of these OPEB plans is included in Note 14 (Other Postemployment Benefits) to the Financial Statements.

The University's liquidity remains strong with a current ratio of 7.3. This current ratio, defined as current assets divided by current liabilities, indicates that the University, if needed, could satisfy payment of more than seven times its current liabilities before current assets were exhausted. Total working capital (current assets less current liabilities) increased by \$31.4 million, or 10.0%, to \$344.5 million at June 30, 2021, due to the larger increase in current assets relative to current liabilities, both discussed above.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position, as presented in the SNP, are based on activity presented in the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). The purpose of the SRECNP is to present revenues and expenses earned and incurred, respectively, by the University during the fiscal year.

GASB accounting principles determine the categorization of revenues and expenses as either operating or nonoperating activities. Because GASB Statement No. 34 requires that revenues from state appropriations, Pell Grants, and gifts be considered nonoperating while the expenses funded from these revenues are categorized as operating, the University will nearly always demonstrate an operating loss on its SRECNP.

Other revenues, expenses, gains, and losses recognized by the University, as applicable, and not classified as operating or nonoperating, are presented separately on the statement below the Income Before Other Revenues line.

The following table summarizes and compares the University's results of operations for the fiscal years ended June 30, 2021 and June 30, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

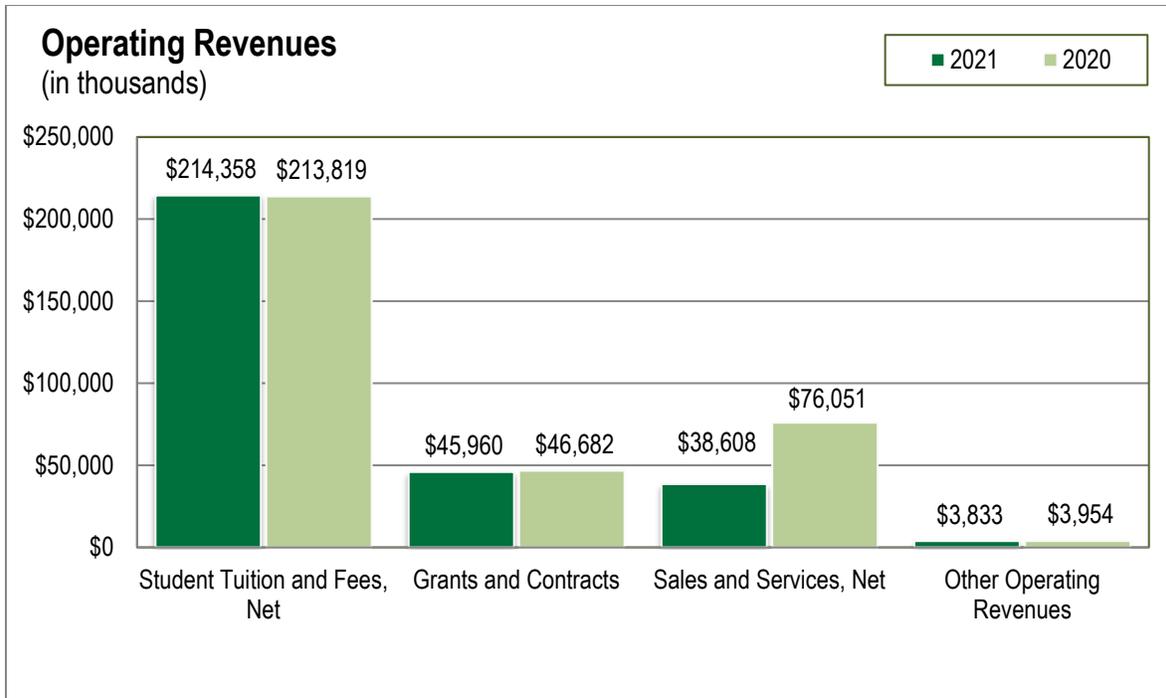
Condensed Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	2021	2020	Change	
			Amount	Percent
Operating Revenues:				
Student Tuition and Fees, Net	\$ 214,358,069	\$ 213,818,751	\$ 539,318	0.3%
Grants and Contracts	45,960,279	46,682,496	(722,217)	-1.5%
Sales and Services, Net	38,607,980	76,050,619	(37,442,639)	-49.2%
Other Operating Revenues	3,832,711	3,953,633	(120,922)	-3.1%
Total Operating Revenues	302,759,039	340,505,499	(37,746,460)	-11.1%
Operating Expenses:				
Salaries and Benefits	401,245,910	414,396,542	(13,150,632)	-3.2%
Supplies and Services	124,206,227	146,214,468	(22,008,241)	-15.1%
Scholarships and Fellowships	72,114,513	57,759,339	14,355,174	24.9%
Utilities	11,447,838	11,726,830	(278,992)	-2.4%
Depreciation/Amortization	35,169,232	34,390,628	778,604	2.3%
Total Operating Expenses	644,183,720	664,487,807	(20,304,087)	-3.1%
Operating Loss	(341,424,681)	(323,982,308)	(17,442,373)	5.4%
Nonoperating Revenues (Expenses):				
State Appropriations	255,438,158	261,533,302	(6,095,144)	-2.3%
State Aid - Coronavirus	17,563,548	223,550	17,339,998	7,756.7%
Federal Aid - COVID-19	53,075,687	12,404,787	40,670,900	327.9%
Noncapital Contributions, incl. Student Financial Aid	91,354,529	88,815,865	2,538,664	2.9%
Investment Income, Net	28,472,464	6,118,425	22,354,039	365.4%
Interest and Fees on Debt, Net of Subsidy	(20,495,043)	(22,528,255)	2,033,212	-9.0%
Other Nonoperating Expenses	(1,557,909)	(4,409,292)	2,851,383	-64.7%
Net Nonoperating Revenues	423,851,434	342,158,382	81,693,052	23.9%
Income Before Other Revenues	82,426,753	18,176,074	64,250,679	353.5%
Capital Appropriations and Contributions	45,054,218	39,370,847	5,683,371	14.4%
Additions to Endowments	25,231	490,480	(465,249)	-94.9%
Increase in Net Position	127,506,202	58,037,401	69,468,801	119.7%
Net Position, Beginning of Year	668,803,589	610,766,188		
Net Position, End of Year	\$ 796,309,791	\$ 668,803,589	\$ 127,506,202	19.1%

Fiscal year 2020-21 total revenues were \$794,213,132 and total expenses were \$666,706,930

Fiscal year 2019-20 total revenues were \$750,803,415 and total expenses were \$692,766,014

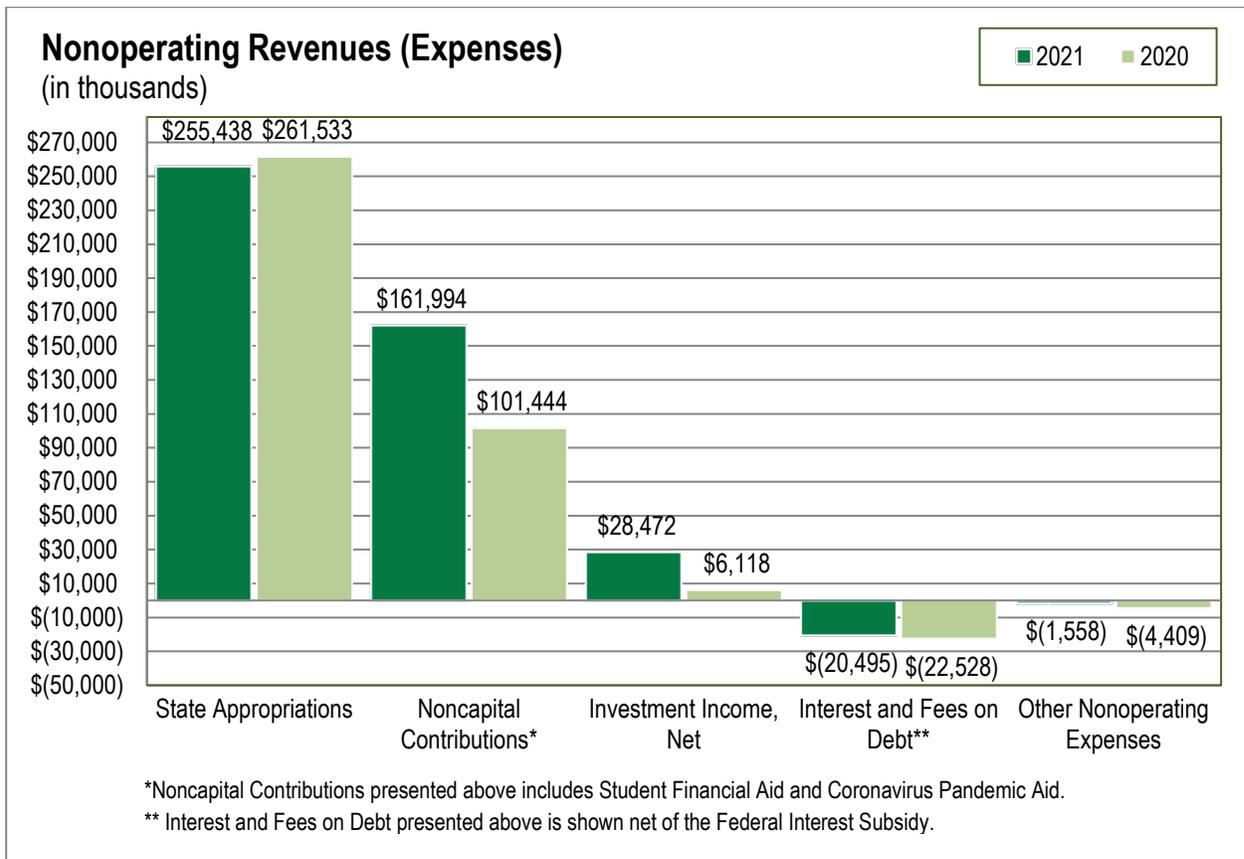
The overall increase in net position of \$127.5 million is composed of the following highlighted changes:

- Total operating revenues decreased by \$37.7 million, or 11.1%, as compared to the prior fiscal year, a direct result of the coronavirus's impact on the University's operations. Sales and services (net) revenue decreased by \$37.4 million, or 49.2%, primarily driven by a decreased on-campus presence of students and reduced operating capacity of dining, housing, and parking & transportation services due to coronavirus disruptions.



- Operating expenses are those incurred to acquire or produce the goods and services provided to fulfill the mission of the University. Total operating expenses decreased by \$20.3 million, or 3.1%, from the prior year, to \$644.2 million.
 - The decrease in operating expenses is largely attributable to a \$22.0 million, or 15.1% decrease in supplies and services expenses due to contracts completed in the prior year, and decreased spending as a result of coronavirus disruptions, notably related to decreases in auxiliary service expenses such as student meal plan, catering expenses and travel-related expenses.
 - Salaries and benefits expenses decreased by \$13.2 million, or 3.2%, primarily due to \$5.6 million decreases in pension and OPEB expenses recognized related to GASB Statement Nos. 68 and 75 and a \$3.9 million decrease in workers' compensation expenses as provided by the third-party plan administrator. Salaries decreased by \$2.6 million, mainly due to a reduction in personnel subject to the State Human Resources Act, offset by filled positions and salary adjustments in personnel that are exempt from the State Human Resource Act, as well as non-student temporary personnel.
 - Scholarship and fellowship expenses increased by \$14.4 million, or 24.9%, mainly due to a \$11.6 million increase in federal Higher Education Emergency Relief Funds (HEERF) funds awarded for student aid in fiscal year 2021.
- Nonoperating revenues are those received for which goods and services are not provided. Certain significant recurring sources of the University's revenues, including state appropriations, are classified as nonoperating because they are provided to the University without the provider directly receiving commensurate goods and services for those revenues. The University's net nonoperating revenues were \$423.9 million in fiscal year 2021, a \$81.7 million increase compared to the prior year.

- A \$3.1 million increase in state appropriations related to enrollment growth and legislatively mandated fringe benefit increases was offset by a legislative change that reclassified to other revenue \$9.2 million of carryforward appropriations for capital repair and renovation uses next year, resulting in a net decrease of \$6.1 million.
- Noncapital contributions, including student financial aid and state and federal coronavirus funding, increased by \$60.6 million, primarily due to a \$40.7 million increase in federal HEERF, a \$17.3 million increase in State Aid Coronavirus Relief Funds (CRF) received directly from the State for pandemic research, wastewater testing, and substantially dedicated personnel costs not funded by appropriations, and a \$7.4 million increase related to OPEB/RHBF liability per GASB 75.
- Investment income (net) increased by \$22.4 million primarily due to a \$26.8 million increase in unrealized investment gain on increased market performance in fiscal year 2021, offset by a \$4.7 million decrease in Short-Term Investment Fund (STIF) interest income.



- For explanations of the material changes in capital appropriations and contributions, see the Capital Asset and Debt Administration section below.

Capital Assets and Debt Administration

The University remains committed to providing quality education, research, residential life, and other services to the region as student and community needs evolve. A critical factor in meeting these commitments is the University’s ability to strategically enhance its capital assets.

Total capital assets, by major classification and net of accumulated depreciation and amortization, are presented below for the fiscal years ended June 30, 2021, and June 30, 2020. Information regarding changes in capital assets is also disclosed in Note 6 to the Financial Statements.

Capital Assets, Net of Accumulated Depreciation/Amortization	2021	2020 (As Restated)	Change	
			Amount	Percent
Land and Land Improvements	\$ 12,884,085	\$ 12,884,085	\$ -	-
Art, Literature, and Artifacts	37,244,740	36,566,699	678,041	1.9%
Construction in Progress	93,656,546	75,710,820	17,945,726	23.7%
Buildings	1,060,098,029	1,056,190,222	3,907,807	0.4%
Machinery and Equipment	68,047,946	64,744,518	3,303,428	5.1%
General Infrastructure	207,066,851	212,167,960	(5,101,109)	-2.4%
Computer Software	8,694,169	9,345,164	(650,995)	-7.0%
Total Capital Assets, Net	\$ 1,487,692,366	\$ 1,467,609,468	\$ 20,082,898	1.4%

Total construction in progress (CIP) at the end of the year was \$93.7 million, a \$17.9 million net increase from the prior year. CIP increased by \$43.9 million for costs incurred during the fiscal year on various construction projects, and decreased by \$26.0 million due to the completion of some of those projects during the year.

Increases in CIP included costs incurred during the fiscal year for projects still in progress at year end, notably including the Science Building (\$12.4 million) and McEniry HVAC (\$5.0 million). The remaining increases were related to smaller renovation and improvement projects (\$0.5 million) and projects that were ultimately completed during the year (\$25.9 million). Major completed projects include the Regional Utility Plant (RUP) and Data Center (\$21.3 million), as well as Rowe network and cabling infrastructure renovations (\$2.5 million). Other capital construction projects completed were for smaller renovations and capital improvements (\$2.0 million total). The completion of these projects, offset by depreciation expense of \$21.9 million, contributed to the \$3.9 million increase in the net capitalized cost of buildings this fiscal year. The net capitalized cost of machinery and equipment increased by \$3.3 million, mainly due to the purchase of \$11.9 million in capital items, offset by depreciation expense of \$7.3 million and the retirement of \$1.2 million in net capital items. The net capitalized cost of general infrastructure decreased by \$5.1 million this fiscal year, due to depreciation expense of \$5.3 million.

The University also had \$16.4 million in outstanding commitments on construction contracts for capital expenditures as of June 30, 2021. The bulk of these commitments are related to the Bioinformatics build-out and the Science Building.

Capital contributions decreased by \$3.5 million, reflecting a \$5.2 million decrease in expenditures for the University's new Science Building funded by the State's Connect NC bond package, which was approved in 2016, offset by a \$1.9 million increase in State Capital and Infrastructure Funds (SCIF) used for repairs and renovations. Capital appropriations increased by \$9.2 million due to a legislative change in carryforward funds which have been restricted for repairs and renovations for the University.

The University's debt portfolio is conservatively structured, with a fixed-rate debt profile and relatively rapid principal amortization. Long-term debt is primarily issued for specific capital needs. In March 2021, the University issued \$95.3 million in taxable general revenue bonds to advance refund \$85.1 million of outstanding revenue bonds, which resulted in an economic

gain of \$6.2 million. The net proceeds of this debt were used to purchase U.S. government securities deposited in an irrevocable trust to provide for all future debt service on the refunded bonds. The University's available funds, excluding tuition and state appropriations, are pledged to pay the bonds. The University maintained credit ratings this year from Standard & Poor's, of 'A+' with a stable outlook, and from Moody's Investors Service, of 'Aa3' with a stable outlook. Both agencies affirmed their ratings based on the strong enterprise profile of the University, including solid enrollment trends, financial operations, and operating and capital support from AAA-rated State of North Carolina, along with a capable management team. While the University's debt profile has increased over the past ten years, all funding decisions support the University's long-term strategic plan and are made to be as cost effective as possible in the prevailing economic environment. For additional information on the University's debt administration, see Note 8 to the Financial Statements.

Economic Outlook

Management remains prudent, conservative, and strategic in managing the institution's financial affairs to achieve the University's goals of providing educational services to the Charlotte region. The overall outlook for the four-year U.S. Higher Education sector, per Moody's Investors Service, was stable as of March 2021, as colleges and universities face improved revenue prospects as the COVID-19 public health crisis recedes over the next several months and as students return to campuses in greater numbers in Fall 2021. As a general matter, the pandemic has impacted and will continue to impact global financial markets and national, state, and local economies. UNC Charlotte will continue to rely on enrollment demand and governmental support as two of the most significant drivers of the University's revenue base, along with effective institutional planning and cost containment. The University benefits from its membership in the University of North Carolina (UNC) System through economies of scale and receives stable capital and operating support. UNC Charlotte is also mindful of controlling expenses with a lower than average spending rate per full-time-equivalent student among the 16 UNC universities, and will benefit from the ability to allocate federal relief funds to expenses needed to manage new operational needs in fiscal year 2022.

Focus on access, affordability, and student outcomes at the state and national level, coupled with UNC Charlotte's emphasis on value for its students, will constrain tuition increases to those that are necessary to meet operational needs, a trend typical among public universities. UNC Charlotte's tuition and fee rates remain low compared to public peers. There was a 3% increase in fees and no increases in tuition rates for the 2021-22 academic year across the UNC system. North Carolina's fixed tuition program, which freezes tuition rates for new resident undergraduate students over a period of continuous enrollment and limits the overall increase in undergraduate student fees to 3% per academic year for all UNC system institutions, was implemented in 2016 and remains in place.

Though tuition and fee rates are constrained, UNC Charlotte continues to realize strong enrollment, even amidst the pandemic. UNC Charlotte enrolled more than 30,400 students for the Fall 2021 semester, a record enrollment and a more than 21% cumulative increase over the past ten years. UNC Charlotte is the largest university in the continuously growing Charlotte region and remains the only urban research university in the UNC system. UNC Charlotte also enrolls more transfer students than any other university in North Carolina and offers more than 160 degree programs to a culturally diverse student population. Enrollment growth at UNC Charlotte is expected to continue, and the University continues to plan for a long-term target of 35,000 students.

Approximately 69% of UNC Charlotte students receive some form of financial aid, and approximately 38% of undergraduates are Pell Grant recipients. This, in addition to the fact that the majority of the University's research funding is from federal grants, causes the federal budget to remain a key consideration of the financial outlook. Access, affordability, and accountability remain concerns for the higher education industry. Any legislation related to funding for federal student aid programs and federal research organizations will affect our students and faculty; management is prepared to adapt to changes as they arise.

Finally, the University continues its efforts to make an impact through its research initiatives and received \$49 million in sponsored awards during fiscal year 2021. The University is consistently in the top five universities nationally for number of startups per million dollars of research funding. The University will continue to strategically target research-rich fields, including advanced manufacturing, biotechnology, data science and business analytics, defense, education, energy production and infrastructure, health, and cybersecurity, which align with UNC Charlotte's professional schools and applied science programs. Additionally, in March 2021, UNC Charlotte was awarded \$72.6 million in Higher Education Emergency Relief Funds (HEERF III), for COVID-19 health and safety measures and student financial aid. The University's near-term goal is to reach a sustainable level of extramurally funded research programs of \$55.0 million annually.

Management is fully committed to making sound fiscal decisions to withstand current and future economic uncertainties, and remains dedicated to UNC's mission to discover, create, transmit, and apply knowledge to address the needs of individuals and society.

Contacting the University's Financial Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the University's finances and show accountability for all funds received. Additional financial information may be obtained by accessing the Financial Services webpage (finance.uncc.edu) or contacting the Controller (704-687-5759) or Associate Vice Chancellor for Finance (704-687-5813).



FINANCIAL STATEMENTS

The University of North Carolina at Charlotte
Statement of Net Position
Proprietary Fund
June 30, 2021

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 321,400,232
Restricted Cash and Cash Equivalents	40,576,833
Receivables, Net (Note 5)	22,484,280
Inventories	377,146
Notes Receivable, Net (Note 5)	397,020
Prepaid Items	14,019,658
	<hr/>
Total Current Assets	399,255,169

Noncurrent Assets:

Restricted Cash and Cash Equivalents	36,765,666
Endowment Investments	189,580,736
Restricted Investments	22,314
Other Investments	47,148
Notes Receivable, Net (Note 5)	1,834,377
Net Other Postemployment Benefits Asset	787,458
Capital Assets - Nondepreciable (Note 6)	143,785,371
Capital Assets - Depreciable, Net (Note 6)	1,343,906,995
	<hr/>
Total Noncurrent Assets	1,716,730,065

Total Assets	<hr/> <hr/> 2,115,985,234
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	9,902,348
Deferred Outflows Related to Pensions	38,525,256
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	83,197,761
	<hr/>
Total Deferred Outflows of Resources	131,625,365

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	12,923,692
Deposits Payable	1,912,523
Funds Held for Others	3,347
Unearned Revenue	10,064,865
U.S. Government Grants Refundable	454,512
Interest Payable	5,513,165
Long-Term Liabilities - Current Portion (Note 8)	23,909,323
	<hr/>
Total Current Liabilities	54,781,427

Noncurrent Liabilities:

Funds Held for Others	78,579
Unearned Revenue	10,611,630
U.S. Government Grants Refundable	1,711,101
Long-Term Liabilities - Due to University Component Unit (Note 8)	70,879,731
Long-Term Liabilities, Net (Note 8)	1,107,308,462
	<hr/>

Total Noncurrent Liabilities	1,190,589,503
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Total Liabilities	<hr/> <hr/> 1,245,370,930
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The University of North Carolina at Charlotte
Statement of Net Position
Proprietary Fund
June 30, 2021

Exhibit A-1
Page 2 of 2

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Refunding	25,438
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	<u>205,904,440</u>
Total Deferred Inflows of Resources	<u>205,929,878</u>

NET POSITION

Net Investment in Capital Assets	939,518,252
Restricted:	
Nonexpendable	47,516,605
Expendable	57,428,850
Unrestricted	<u>(248,153,916)</u>
Total Net Position	<u>\$ 796,309,791</u>

The accompanying notes to the financial statements are an integral part of this statement.

The University of North Carolina at Charlotte
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 11)	\$ 214,358,069
Federal Grants and Contracts	37,205,607
State and Local Grants and Contracts	3,421,270
Nongovernmental Grants and Contracts	5,333,402
Sales and Services, Net (Note 11)	38,607,980
Interest Earnings on Loans	173,171
Other Operating Revenues	3,659,540
	<hr/>
Total Operating Revenues	302,759,039

OPERATING EXPENSES

Salaries and Benefits	401,245,910
Supplies and Services	124,206,227
Scholarships and Fellowships	72,114,513
Utilities	11,447,838
Depreciation/Amortization	35,169,232
	<hr/>
Total Operating Expenses	644,183,720
	<hr/>
Operating Loss	(341,424,681)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	255,438,158
State Aid - Coronavirus	17,563,548
Student Financial Aid	77,639,120
Federal Aid - COVID-19	53,075,687
Noncapital Contributions	13,715,409
Investment Income (Net of Investment Expense of \$550,390)	28,472,464
Interest and Fees on Debt	(20,965,301)
Federal Interest Subsidy on Debt	470,258
Other Nonoperating Expenses	(1,557,909)
	<hr/>
Net Nonoperating Revenues	423,851,434
	<hr/>
Income Before Other Revenues	82,426,753
	<hr/>
Capital Appropriations	9,192,721
Capital Contributions	35,861,497
Additions to Endowments	25,231
	<hr/>
Total Other Revenues	45,079,449
	<hr/>
Increase in Net Position	127,506,202

NET POSITION

Net Position - July 1, 2020	668,803,589
	<hr/>
Net Position - June 30, 2021	\$ 796,309,791

The accompanying notes to the financial statements are an integral part of this statement.

The University of North Carolina at Charlotte
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 299,052,107
Payments to Employees and Fringe Benefits	(415,534,170)
Payments to Vendors and Suppliers	(135,582,466)
Payments for Scholarships and Fellowships	(72,114,513)
Loans Issued	(20,899)
Collection of Loans	655,253
Interest Earned on Loans	165,707
Student Deposits Received	1,176,420
Student Deposits Returned	(1,242,200)
William D. Ford Direct Lending Receipts	120,911,030
William D. Ford Direct Lending Disbursements	(120,972,258)
Related Activity Agency Receipts	17,511,936
Related Activity Agency Disbursements	(17,599,444)
Other Receipts	3,917,776
	<hr/>
Net Cash Used by Operating Activities	(319,675,721)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	255,438,158
State Aid - Coronavirus	17,563,548
Student Financial Aid	76,740,499
Federal Aid - COVID-19	48,487,073
Noncapital Contributions	5,061,890
Additions to Endowments	25,231
	<hr/>
Total Cash Provided by Noncapital Financing Activities	403,316,399

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Capital Appropriations	9,192,721
Capital Contributions	35,039,869
Proceeds from Insurance on Capital Assets	10,214
Acquisition and Construction of Capital Assets	(56,693,566)
Principal Paid on Capital Debt	(20,232,925)
Interest and Fees Paid on Capital Debt	(23,933,810)
Federal Interest Subsidy on Debt Received	690,384
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(55,927,113)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	4,675,129
Investment Income	1,447,155
Purchase of Investments and Related Fees	(383,996)
	<hr/>
Net Cash Provided by Investing Activities	5,738,288
	<hr/>
Net Increase in Cash and Cash Equivalents	33,451,853
	<hr/>
Cash and Cash Equivalents - July 1, 2020, as Restated (Note 21)	365,290,878
	<hr/>
Cash and Cash Equivalents - June 30, 2021	\$ 398,742,731

The University of North Carolina at Charlotte
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Exhibit A-3
Page 2 of 2

**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (341,424,681)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	35,169,232
Allowances, Write-Offs, and Amortizations	1,325,366
Other Nonoperating Income	926,357
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(2,992,982)
Inventories	(81,464)
Notes Receivable, Net	622,215
Prepaid Items	260,710
Net Other Postemployment Benefits Asset	(101,584)
Deferred Outflows Related to Pensions	(3,356,782)
Deferred Outflows Related to Other Postemployment Benefits	13,028,381
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(315,980)
Funds Held for Others	(62,445)
Unearned Revenue	1,681,424
Net Pension Liability	13,733,880
Net Other Postemployment Benefits Liability	(50,562,545)
Compensated Absences	488,297
Deposits Payable	(35,299)
Workers' Compensation Liability	(644,306)
Deferred Inflows Related to Pensions	(152,774)
Deferred Inflows Related to Other Postemployment Benefits	12,819,259
Net Cash Used by Operating Activities	<u>\$ (319,675,721)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital Assets Acquired through the Assumption of a Liability	\$ 10,170,477
Investments Acquired through the Assumption of a Liability	81,822,889
Assets Acquired through a Gift	821,628
Change in Fair Value of Investments	26,754,563
Loss on Disposal of Capital Assets	(1,221,992)
Amortization/Write-Off of Bond Premiums/Discounts	(5,283,163)
Increase in Receivables Related to Nonoperating/Other Revenues	4,591,412
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	7,355,975
Funds Escrowed to Defeasement Debt	85,060,000

The accompanying notes to the financial statements are an integral part of this statement.

The University of North Carolina at Charlotte
Statement of Fiduciary Net Position
Fiduciary Fund - Custodial Funds
June 30, 2021

Exhibit B-1

	External Investment Pool Funds
ASSETS	
Cash and Cash Equivalents	\$ 706,349
Investments (Note 2):	
Pooled Investment Funds	19,525,932
Total Assets	<u>20,232,281</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities (Note 7)	<u>11,452</u>
Total Liabilities	<u>11,452</u>
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>-</u>
NET POSITION	
Restricted for:	
Pool Participants	<u>20,220,829</u>
Total Net Position	<u>\$ 20,220,829</u>

The accompanying notes to the financial statements are an integral part of this statement.

**The University of North Carolina at Charlotte
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Custodial Funds
June 30, 2021**

Exhibit B-2

	External Investment Pool Funds
ADDITIONS	
Contributions:	
Pool Participants	\$ 338,316
Total Contributions	<u>338,316</u>
Investment Activity:	
Investment Income	5,246,259
Investment Expenses	<u>(105,166)</u>
Net Investment Income	<u>5,141,093</u>
Total Additions	<u>5,479,409</u>
DEDUCTIONS	
Withdrawals and Distributions	<u>479,051</u>
Increase in Fiduciary Net Position	5,000,358
NET POSITION	
Net Position - July 1, 2020, as Restated (Note 21)	<u>15,220,471</u>
Net Position - June 30, 2021	<u><u>\$ 20,220,829</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

The Foundation of the University of North Carolina at Charlotte, Inc.
Consolidated Statement of Financial Position
June 30, 2021

Exhibit C-1

	<u>Total</u>
ASSETS	
Cash and Cash Equivalents	\$ 21,398,398
Prepaid Expenses and Other Assets	351,318
Contributions Receivable, Net	19,119,481
Beneficial Interests in Lead Trusts	550,253
Beneficial Interests in Assets Held by Others	1,524,465
Investments	179,899,757
Cash Surrender Value of Life Insurance	917,850
Due from University	70,879,731
Property Held for Investment	1,692,443
	<u>1,692,443</u>
Total Assets	<u>\$ 296,333,696</u>
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 624,420
Liability Under Split-Interest Agreements	3,043,941
Funds Held for Others	259,949
Debt	52,477,481
	<u>52,477,481</u>
Total Liabilities	<u>56,405,791</u>
NET ASSETS	
Without Donor Restrictions:	36,023,444
With Donor Restrictions	203,904,461
	<u>203,904,461</u>
Total Net Assets	<u>239,927,905</u>
Total Liabilities and Net Assets	<u>\$ 296,333,696</u>

The accompanying notes to the financial statements are an integral part of this statement.

The Foundation of the University of North Carolina at Charlotte, Inc.
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2021

Exhibit C-2

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Public Contributions	\$ 10,547,765	\$ 21,976,460	\$ 32,524,225
Support from Affiliate	3,438,059	524,299	3,962,358
Investment Income	8,600,642	36,746,982	45,347,624
Other Revenue and Support	55,104	428,791	483,895
	<u>22,641,570</u>	<u>59,676,532</u>	<u>82,318,102</u>
Net Assets Released from Restrictions	8,503,095	(8,503,095)	-
Total Revenues, Gains, and Other Support	<u>31,144,665</u>	<u>51,173,437</u>	<u>82,318,102</u>
EXPENSES			
Program Services:			
Contributions to UNC Charlotte	9,837,510	-	9,837,510
Research and Other Programs	793,972	-	793,972
Total Program Services	<u>10,631,482</u>	<u>-</u>	<u>10,631,482</u>
Support Services:			
General and Administrative	1,820,985	-	1,820,985
Fundraising Support	2,601,683	-	2,601,683
Total Support Services	<u>4,422,668</u>	<u>-</u>	<u>4,422,668</u>
Total Expenses	<u>15,054,150</u>	<u>-</u>	<u>15,054,150</u>
Change in Net Assets Before Write-Offs, Interest, and Transfers	16,090,515	51,173,437	67,263,952
Write-Off of Contributions Receivable	-	(292,231)	(292,231)
Interest, Including Amortization of Finance Costs	(949,543)	-	(949,543)
Transfers Between Net Asset Classes	(76,665)	76,665	-
Change in Net Assets	<u>15,064,307</u>	<u>50,957,871</u>	<u>66,022,178</u>
NET ASSETS			
Net Assets at Beginning of Year	<u>20,959,137</u>	<u>152,946,590</u>	<u>173,905,727</u>
Net Assets at End of Year	<u>\$ 36,023,444</u>	<u>\$ 203,904,461</u>	<u>\$ 239,927,905</u>

The accompanying notes to the financial statements are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina at Charlotte (University) is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are either blended or discretely presented in the University's financial statements. See below for further discussion of the University's component units. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Blended Component Units - Although legally separate, The University of North Carolina at Charlotte Facilities Development Corporation, Inc. (FDC) and The University of North Carolina at Charlotte Investment Fund, Inc. (UNCCIF), component units of the University, are reported as if they were part of the University.

The FDC is governed by a seven-member board consisting of one ex officio director and six elected directors. The FDC's purpose was to assist the University in financing, constructing, and equipping a student housing project on campus. The University operated and managed the project under the terms of agreement between the University and the FDC. Because the elected directors of the FDC are appointed by the members of The University of North Carolina at Charlotte Board of Trustees and the FDC's sole purpose was to benefit the University, its financial statements have been blended with those of the University. In March 2021, the University issued general revenue bonds and exercised its option to acquire the FDC's student housing facilities and redeem the FDC's Limited Obligation Bonds (LOB). The consideration provided was the LOB amount outstanding plus \$1, or \$10,465,001, and was used to redeem the LOBs. Subsequently, the Lease and Use agreements between the University and the FDC were terminated, and the directors of the FDC executed a written consent to dissolve the FDC, which occurred in May 2021, with the residual cash of the FDC reverting to the University in the next fiscal year.

The UNCCIF is governed by a board consisting of three ex officio directors and four elected directors. The UNCCIF's purpose is to support the University by operating an investment fund for nonprofit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. Its participant investors include the University, the Foundation, and the Athletic Foundation (see Note 18). The UNCCIF is a governmental external investment pool. Because two of the seven directors of the UNCCIF are administrators of the University and the elected directors are appointed by the member investors' Board of Trustees, and because the UNCCIF's primary purpose is to benefit the University, its financial statements have been blended with those of the University, with the exception of the portion belonging to The Foundation of the University of North Carolina at Charlotte, Inc., which is discretely presented (as described below) and the portion belonging to the Athletic Foundation of the University of North Carolina at Charlotte, Inc., which is presented in separate fiduciary statements.

Separate financial statements for the FDC and the UNCCIF may be obtained from the University Treasury Services Office, at treasuryservices@uncc.edu or by calling (704) 687-5432.

Condensed combining information regarding blended component units is provided in Note 19.

Discretely Presented Component Unit - The Foundation of the University of North Carolina at Charlotte, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of 45 officers and directors. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2021, the Foundation distributed \$9,837,510 to the University for both restricted and unrestricted purposes. The University provided professional services to the Foundation of \$3,962,358 for the year ended June 30, 2021.

During the year ended June 30, 2021, the Foundation completed construction on a 226-room hotel and conference center located on the campus of the University. The hotel was completed for a total cost of \$81,129,731. The Foundation entered into an Assignment Agreement (Agreement) with the University's Endowment dated November 15, 2020 to transfer the hotel and related contracts to the University's Endowment. As part of the Agreement, the University's Endowment will make funds generated from the operation of the Hotel available to the Foundation to be used by the Foundation in payment of debt service and the Foundation's subordinate obligations related to the Hotel as defined in the Agreement. As of June 30, 2021, the University reported an investment in the amount of \$81,822,889 and a due to component unit liability in the amount of \$70,879,731 related to this agreement. See Notes 2 and 8 for further detail related to the University's investment and long-term liability, respectively.

Complete financial statements for the Foundation can be obtained from the University Treasury Services Office, at treasuryservices@uncc.edu or by calling (704) 687-5432.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and GASB Statement No. 84, *Fiduciary Activities*, require the presentation of both proprietary and fiduciary fund financial statements. See below for a description of each fund.

Proprietary Fund - This fund accounts for the University's primary activities and is presented in a single column on the accompanying proprietary fund financial statements.

Fiduciary Fund - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds.

- C. Basis of Accounting** - The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include

state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. **Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

Real estate not held by a governmental external investment pool and certain other asset holdings are reported at fair value as determined by appraisal as of June 30, 2021. Money market investments that have a remaining maturity at the time of purchase of one year or less and cash surrender value of life insurance are reported at amortized cost, if purchased, or at fair value or appraised value at date of gift, if donated.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the University for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported.

- F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. **Inventories** - Inventories, consisting of expendable supplies, postage, fuel held for consumption, and other merchandise for resale, are valued at cost using the last invoice cost method.

- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The University capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	15-75 years
Machinery and Equipment	5-22 years
General Infrastructure	10-75 years
Computer Software	10-21 years

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.

- J. Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

All trust or custodial funds meeting the criteria of a fiduciary activity are reported in separate fiduciary fund financial statements.

- K. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes: revenue bonds payable, notes from direct borrowings, and an amount due to the University’s component unit. Other long-term

liabilities include: compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

Revenue bonds payable are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method that approximates the effective interest method. Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are aggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 13 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- L. **Compensated Absences** - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because sick leave is contingent upon a future event that is beyond the control of both the employer and employee, and therefore the liability is not probable, and the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- M. **Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so 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 so will not be recognized as an inflow of resources (revenue) until then.
- N. **Net Position** - The University's net position is classified as follows:

Proprietary Fund

Net Investment in Capital Assets - This represents the University's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

Restricted Net Position - Nonexpendable - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, workers' compensation, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both

restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

Fiduciary Fund

Restricted Net Position - Fiduciary net position includes resources held in a custodial capacity for external pool participants in the University's External Investment Fund that are not available for alternative use by the University.

- O. **Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

- P. **Revenue and Expense Recognition** - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- Q. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as central

stores, copy centers, motor pool, postal services, and telecommunications. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - Unless specifically exempt, the University is required by *North Carolina General Statute 147-77* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2021, the amount shown on the financial statements as cash and cash equivalents includes \$394,720,993, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Cash on hand at June 30, 2021 was \$23,400. The carrying amount of the University's deposits not with the State Treasurer was \$4,704,687, and the bank balance was \$5,148,830. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it.

The University does not have a deposit policy for custodial credit risk. As of June 30, 2021, the University's bank balance was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Bank's Trust Department not in University's Name	<u>\$ 4,026,866</u>
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Foreign currency risk is the risk that changes in exchange rates that will adversely affect the fair value of the deposit. At June 30, 2021, \$27,717 of the total bank balance was denominated in Euros, and was therefore exposed to foreign currency risk. The University does not have a formal policy for foreign currency risk.

B. Investments

University - The University is authorized by the University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of the University's component unit, the UNCCIF, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements.

Investments from various donors or other sources may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income.

Investments are subject to the following risks as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*.

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University does not have a formal policy that addresses interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy that addresses credit risk.

External Investment Pool - The External Investment Pool (Pool) sponsored by the University was established in November 2004. The Pool is utilized to manage the investments for endowments that are organized and operated primarily to support the University. University endowment funds and the Foundation, which is a discretely presented component unit included in the University's reporting entity, represent the Pool's internal participants. The Athletic Foundation of the University of North Carolina at Charlotte, Inc., an affiliated organization not included in the University's reporting entity, represents the Pool's external participant. Fund ownership of the Pool is measured using the pro rata share method. Under this method, each participating fund's investment balance is determined based on its pro rata share of the fair market value of the investment pool each quarterly period. The external portion of the Pool is presented in the accompanying fiduciary fund financial statements.

The External Investment Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the UNCCIF Board of Directors. The Board is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Board has chosen not to make individual security selection decisions. The Board's primary role is to oversee the allocation of the Pool's portfolio among the asset classes, investment vehicles, and investment managers.

The UNCCIF is the custodian for the Pool and provides the University with quarterly statements defining income and valuation, which is then allocated among the fund's participants. There are no involuntary participants in the Pool. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Pool's investments.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2021 for the External Investment Pool, including both proprietary and fiduciary funds. See Note 2C below for

further details regarding investments by fund type within the External Investment Pool.

External Investment Pool

	<u>Amount</u>
Investment Type	
Other Securities	
UNC Investment Fund	\$ 68,317,175
Global Endowment Fund II, LP	<u>52,816,968</u>
Total External Investment Pool	<u>\$ 121,134,143</u>

The UNCCIF invests with two external investment firms, a limited partnership interest, Global Endowment Fund II, LP, and the UNC Investment Fund, LLC (UNC Investment Fund), an external investment pool. Global Endowment Management, LP is registered with the SEC, but neither firm has a credit rating, nor are they subject to any regulatory oversight. Investment risks associated with Global Endowment Fund II, LP are included in the audited financial statements of the Global Endowment Fund II, LP, which may be obtained from Global Endowment Management, LP, 224 W. Tremont Avenue, Charlotte, NC 28203. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC, which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Separate financial statements for the UNCCIF may be obtained from the University Treasury Services Office at treasuryservices@uncc.edu, or by calling (704) 687-5432.

Non-Pooled Investments - The following table presents investments by type and investments subject to interest rate risk at June 30, 2021, for the University's non-pooled investments.

Non-Pooled Investments

	<u>Amount</u>	<u>Investment Maturities (in Years) Less Than 1</u>
Investment Type		
Debt Securities		
Money Market Mutual Funds	\$ 22,314	<u>\$ 22,314</u>
Other Investments		
Investments in Real Estate	87,972,525	
Cash Surrender Value of Life Insurance	<u>47,148</u>	
Total Non-Pooled Investment Pool	<u>\$ 88,041,987</u>	

At June 30, 2021, the money market mutual funds with an amortized cost of \$22,314 were rated AAAM and Aaa-mf by Standard and Poor's and Moody's, respectively.

Total Investments - The following table presents the total investments at June 30, 2021:

Investment Type	Amount
Debt Securities	
Money Market Mutual Funds	\$ 22,314
Other Investments	
UNC Investment Fund	68,317,175
Global Endowment Fund II, LP	52,816,968
Investments in Real Estate	87,972,525
Cash Surrender Value of Life Insurance	47,148
Total Investments	\$ 209,176,130

Component Unit - Investments of the University's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Type	Carrying Value
Short-Term Investments	\$ 876,475
Bonds	1,445
Fixed Income Mutual Funds	5,360,436
Equity Securities and Other Investments	179,269
UNCCIF External Investment Pool	173,482,132
Total Investments	\$ 179,899,757

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the University as of June 30, 2021, is as follows:

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash on Hand	\$ 23,400	\$ -	\$ 23,400
Amount of Deposits with Private Financial Institutions	4,198,441	506,246	4,704,687
Deposits in the Short-Term Investment Fund	394,520,890	200,103	394,720,993
External Investment Pool	101,608,211	19,525,932	121,134,143
Non-Pooled Investments	88,041,987	-	88,041,987
Total Deposits and Investments	<u>\$ 588,392,929</u>	<u>\$ 20,232,281</u>	<u>\$ 608,625,210</u>
Deposits			
Current			
Cash and Cash Equivalents	\$ 321,400,232	\$ 506,246	\$ 321,906,478
Restricted Cash and Cash Equivalents	40,576,833	-	40,576,833
Noncurrent			
Restricted Cash and Cash Equivalents	36,765,666	200,103	36,965,769
Total Deposits	<u>398,742,731</u>	<u>706,349</u>	<u>399,449,080</u>
Investments			
Noncurrent			
Endowment Investments	189,580,736	-	189,580,736
Restricted Investments	22,314	-	22,314
Pooled Investment Funds	-	19,525,932	19,525,932
Other Investments	47,148	-	47,148
Total Investments	<u>189,650,198</u>	<u>19,525,932</u>	<u>209,176,130</u>
Total Deposits and Investments	<u>\$ 588,392,929</u>	<u>\$ 20,232,281</u>	<u>\$ 608,625,210</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

University - To the extent available, the University's investments are recorded at fair value as of June 30, 2021. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the

primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following table summarizes the University’s proprietary and fiduciary fund investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2021:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Investments in Real Estate	\$ 87,972,525	\$ -	\$ 87,972,525	\$ -
Investments Measured at the Net Asset Value (NAV)				
Global Endowment Fund II, LP	52,816,968			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	394,720,993			
UNC Investment Fund	68,317,175			
Total Investments as a Position in an External Investment Pool	463,038,168			
Total Investments Measured at Fair Value	\$ 603,827,661			

Short-Term Investment Fund - Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The University’s position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

UNC Investment Fund - The fair value of the University’s proprietary and fiduciary balance in the UNC Investment Fund is \$68,317,175. An additional \$94,478,044 is held by the discretely presented Foundation for a total of \$162,795,219 invested by the UNCCIF. Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund’s operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The University’s position in the pool is measured and reported at fair value and the UNC Investment Fund is not required to be categorized within the fair value hierarchy.

Investments in Real Estate - The fair value of the University investments in real estate is \$87,972,525. These investments are classified as Level 2 of the fair value hierarchy and are valued using market multiples that consider current appraisals.

Investments Measured at the NAV - The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2021.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global Endowment Fund II, LP	\$ 52,816,968	N/A	Semi-Annual	Written notice given by March 1 & September 1 preceding June 30 & December 31, the respective redemption dates.

Global Endowment Fund II, LP - The net asset value (NAV) of the University's proprietary and fiduciary balance in the private equity limited partnership, Global Endowment Fund II, LP, is \$52,816,968. An additional \$73,042,303 is held by the discretely presented Foundation, for a total of \$125,859,271 invested by the UNCCIF. The private investment partnership offers an endowment-style investment program to institutional investors, family offices, qualified individuals and other sophisticated investors. The Partnership invests with a long-term horizon, seeking varied and non-traditional investment opportunities in an effort to provide a diversified, single-portfolio investment strategy for its investors. The Management Company's Valuation Committee is responsible for valuing the Fund's assets. The Committee will ensure that positions are valued in accordance with the requirements of the governing documents of the managed funds and applicable accounting standards. The funds are valued based on the investments' NAV or its equivalent in accordance with FASB Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its equivalent)*. This ASU amends FASB ASC 820 *Fair Value Measurements*, to offer investors a practical expedient for measuring the fair value of investments that do not have a readily determinable fair value and that calculate a NAV to be valued based on the NAV per share or its equivalent of the underlying investment when it is probable that the investment will not be sold in the short-term.

Component Unit - The Foundation's investments are reported using FASB ASC 820, *Fair Value Measurement*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2 Financial instruments determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 Financial instruments that are not actively traded on an active exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

In determining fair value, the Foundation uses valuation approaches within the FASB ASC 820 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy.

Short-term investments: Short-term investments are traded in active markets and are classified within Level 1 of the hierarchy.

Bonds, mutual funds, equity securities and other investments (including assets held under split-interest agreements): Bonds, mutual funds, equity securities and other investments are traded in active markets and are classified within Level 1 of the hierarchy.

The following table summarizes financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2021:

	<u>Assets At Fair Value As of June 30, 2021</u>	
	<u>Level 1</u>	<u>Total</u>
Short-Term Investments	\$ 876,475	\$ 876,475
Bonds	1,445	1,445
Fixed Income Mutual Funds	5,360,436	5,360,436
Equity Securities and Other	179,269	179,269
	<u>\$ 6,417,625</u>	6,417,625
Pooled Investments (a)		173,482,132
		<u>\$ 179,899,757</u>

(a) In accordance with FASB ASU 2015-07, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The following table presents the valuation of the Foundation’s investments, which are reported at Net Asset Value (NAV) or its equivalent, and unfunded commitments at June 30, 2021:

Investment	Net Asset Value 2021	Redemption Frequency	Redemption Notice	Unfunded Commitments
UNCCIF External Investment Pool	\$ 173,482,132	Semi Annually	120 Days	None

The UNCCIF seeks to provide equity-like returns while mitigating risk through diversification and long-term asset allocation and to preserve the real purchasing power of the fund, while providing a predictable and growing stream of spending distributions to Fund participants.

The UNCCIF investment in the limited partnership is subject to the terms and conditions of the limited partnership agreement. The agreement allows semi-annual redemptions on June 30 and December 31, with notice given by March 1 and September 1, respectively, preceding the redemption date. All redemptions are subject to the general partner’s approval and can be limited or suspended. The sale of the limited partnership interest to a third party is not permitted.

The UNCCIF investment in another external investment pool is subject to an operating agreement. Ownership in the external investment pool is based on the per unit market value method, whereby the total market value of the underlying assets are divided by the number of units to determine the market value per unit. The number of units times the rate per unit determines the ownership. Redemptions of up to \$10 million may be made monthly with at least 30 days’ notice, and redemption requests greater than \$10 million may be made quarterly with at least 90 days’ notice.

NOTE 4 - ENDOWMENT INVESTMENTS

Investments of the University’s endowment funds are real property held for investment of \$87,972,525 and pooled funds (cash and investments) invested with UNCCIF of \$125,516,162, which includes \$20,232,281 of fiduciary funds related to the Athletic Foundation. Non-real property investments of the University’s endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the University’s endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy, which limits spending to the prior year's spending adjusted for inflation, weighted at 80%, plus 4.5% of the average of the prior three years' market values as of December 31 each year, weighted at 20%. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2021, accumulated income and net appreciation of \$58,893,424 was available to be spent, of which \$42,281,234 was classified as restricted expendable net position as it is restricted for specific purposes. The remaining \$16,612,190 was classified as unrestricted net position.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2021, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 6,929,920	\$ 1,910,717	\$ 5,019,203
Accounts	1,392,732	-	1,392,732
Intergovernmental	15,772,848	-	15,772,848
Interest on Loans	83,225	-	83,225
Federal Interest Subsidy on Debt	178,754	-	178,754
Other	37,518	-	37,518
Total Current Receivables	<u>\$24,394,997</u>	<u>\$ 1,910,717</u>	<u>\$22,484,280</u>
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 441,181	\$ 77,159	\$ 364,022
Institutional Student Loan Programs	77,522	44,524	32,998
Total Notes Receivable - Current	<u>\$ 518,703</u>	<u>\$ 121,683</u>	<u>\$ 397,020</u>
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 1,906,975	\$ 333,517	\$ 1,573,458
Institutional Student Loan Programs	617,200	356,281	260,919
Total Notes Receivable - Noncurrent	<u>\$ 2,524,175</u>	<u>\$ 689,798</u>	<u>\$ 1,834,377</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020 (as Restated)	Increases	Decreases	Balance June 30, 2021
Capital Assets, Nondepreciable:				
Land and Land Improvements	\$ 12,884,085	\$ -	\$ -	\$ 12,884,085
Art, Literature, and Artifacts	36,566,699	678,041	-	37,244,740
Construction in Progress	75,710,820	43,890,775	25,945,049	93,656,546
Total Capital Assets, Nondepreciable	125,161,604	44,568,816	25,945,049	143,785,371
Capital Assets, Depreciable:				
Buildings	1,298,586,781	25,766,084	-	1,324,352,865
Machinery and Equipment	133,061,093	11,862,735	5,835,998	139,087,830
General Infrastructure	270,747,339	231,750	-	270,979,089
Computer Software	13,643,949	-	-	13,643,949
Total Capital Assets, Depreciable	1,716,039,162	37,860,569	5,835,998	1,748,063,733
Less Accumulated Depreciation/Amortization for:				
Buildings	242,396,559	21,858,277	-	264,254,836
Machinery and Equipment	68,316,575	7,327,101	4,603,792	71,039,884
General Infrastructure	58,579,379	5,332,859	-	63,912,238
Computer Software	4,298,785	650,995	-	4,949,780
Total Accumulated Depreciation/Amortization	373,591,298	35,169,232	4,603,792	404,156,738
Total Capital Assets, Depreciable, Net	1,342,447,864	2,691,337	1,232,206	1,343,906,995
Capital Assets, Net	\$1,467,609,468	\$ 47,260,153	\$ 27,177,255	\$1,487,692,366

The July 1, 2020 balances of depreciable capital assets and corresponding accumulated depreciation were restated to reflect reclassifications among categories made after the end of the prior fiscal year. These reclassifications have no impact on total net capital assets.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2021, were as follows:

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>
Current Accounts Payable and Accrued Liabilities		
Accounts Payable	\$ 2,137,350	\$ 11,452
Accounts Payable - Capital Assets	7,378,658	-
Accrued Payroll	883,248	-
Contract Retainage	2,239,793	-
Other	284,643	-
Total Current Accounts Payable and Accrued Liabilities	\$ 12,923,692	\$ 11,452

NOTE 8 - LONG-TERM LIABILITIES

University

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 535,455,000	\$ 95,250,000	\$ 93,195,000	\$ 537,510,000	\$ 19,070,000
Special Indebtedness	11,030,000	-	11,030,000	-	-
Plus: Unamortized Premium	47,551,405	-	5,531,326	42,020,079	-
Less: Unamortized Discount	283,379	-	248,163	35,216	-
Total Revenue Bonds Payable and Special Indebtedness, Net	593,753,026	95,250,000	109,508,163	579,494,863	19,070,000
Notes from Direct Borrowings	6,469,397	552,027	1,067,925	5,953,499	1,105,119
Total Long-Term Debt	600,222,423	95,802,027	110,576,088	585,448,362	20,175,119
Other Long-Term Liabilities					
Employee Benefits					
Compensated Absences	22,092,015	17,333,036	16,844,740	22,580,311	3,058,175
Net Pension Liability	76,313,244	13,733,880	-	90,047,124	-
Net Other Postemployment Benefits Liability	487,339,827	-	57,918,520	429,421,307	-
Workers' Compensation	4,364,987	261,996	906,302	3,720,681	676,029
Total Other Long-Term Liabilities	590,110,073	31,328,912	75,669,562	545,769,423	3,734,204
Total Long-Term Liabilities, Net	\$ 1,190,332,496	\$ 127,130,939	\$ 186,245,650	\$ 1,131,217,785	\$ 23,909,323
Other Long-Term Liabilities					
Due to University Component Unit	\$ -	\$ 70,879,731	\$ -	\$ 70,879,731	\$ -

Additional information regarding the net pension liability is included in Note 13.

Additional information regarding the net other postemployment benefits liability is included in Note 14.

Additional information regarding workers' compensation is included in Note 15.

B. Revenue Bonds Payable - The University was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2021
General Revenue Bonds Payable					
Football Stadium BABS	2010	5.03% -6.52% *	04/01/2040	\$ 40,895,000	\$ 30,925,000
Portal Building	2012-A	4.00%	04/01/2022	2,615,000	70,000
South Village Dining	2012-A	4.00%	04/01/2022	3,470,000	95,000
Regional Utility Plant	2012-A	4.00%	04/01/2022	4,140,000	45,000
Refi-Sprinkler Loan	2012-A	4.00%	04/01/2022	3,645,000	435,000
Parking Deck J - South Village Deck	2012-A	4.00%	04/01/2022	14,685,000	205,000
Residence Hall Phase 10	2012-A	4.00% -5.00%	04/01/2022	30,290,000	825,000
Residence Hall Phase 11	2012-A	4.00% -5.00%	04/01/2022	28,890,000	790,000
2012 Sprinkler Project	2012-A	4.00% -5.00%	04/01/2022	3,260,000	85,000
Portal Building - Taxable	2012-B	2.75% -2.90%	04/01/2022	25,575,000	695,000
South Village Dining - Taxable	2012-B	2.75% -2.90%	04/01/2022	8,655,000	235,000
Regional Utility Plant - Taxable	2012-B	2.75% -2.90%	04/01/2022	2,710,000	135,000
Residence Hall Phase 12	2013-A	3.00% -5.00%	04/01/2043	39,560,000	33,525,000
Refinancing of 2003-A Pooled Bonds	2013-A	4.70% -5.25%	04/01/2028	8,640,000	1,905,000
Campus Infrastructure	2013-B	2.14% -4.12%	04/01/2043	35,240,000	1,790,000
Residence Hall Phase 13	2014	3.00% -5.00%	04/01/2044	34,220,000	2,405,000
Oak Hall Renovations	2014	3.00% -5.00%	04/01/2044	8,765,000	610,000
Holshouser Hall Renovations	2014	3.00% -5.00%	04/01/2044	15,760,000	1,105,000
Residence Hall Phase 14	2015	3.00% -5.00%	04/01/2045	39,045,000	35,920,000
Campus Infrastructure Phase 2	2015	3.00% -5.00%	04/01/2045	32,075,000	28,510,000
Refi-2006 Parking Bonds	2015	3.00% -5.00%	04/01/2036	7,970,000	6,785,000
Refi-2007-B Student Union Bonds	2015	3.00% -5.00%	04/01/2037	37,060,000	36,705,000
2017 Refi Multiple Projects (Tax-Exempt)	2017-A	4.00% -5.00%	10/01/2040	77,865,000	77,210,000
2017 Refi Multiple Projects (Taxable)	2017-B	2.40% -3.63%	10/01/2040	26,140,000	18,055,000
Health & Wellness Center	2017	4.00% -5.00%	10/01/2047	43,990,000	41,890,000
Scott Hall Renovation	2017	4.00% -5.00%	10/01/2047	15,585,000	15,070,000
Elm, Maple, Pine Renovation	2017	4.00% -5.00%	10/01/2047	16,805,000	16,000,000
Phase 16 & 2020 Refi Multiple Projects (Tax-Exempt)	2020-A	3.00% -5.00%	10/01/2049	71,425,000	67,445,000
2020 Refi Multiple Projects (Taxable)	2020-B	1.80% -3.40%	04/01/2041	23,275,000	22,790,000
2021 Refi 2013B	2021	0.29% -3.18%	04/01/2043	28,945,000	28,945,000
2021 Refi 2014 Bond	2021	0.29% -3.18%	04/01/2044	54,405,000	54,405,000
2021 Refi 2015 LOBs	2021	0.29% -2.64%	04/01/2035	11,900,000	11,900,000
Total Revenue Bonds Payable (principal only)				\$ 797,500,000	537,510,000
Plus: Unamortized Premium					42,020,079
Less: Unamortized Discount					35,216
Total Revenue Bonds Payable, Net					\$ 579,494,863

* The University has elected to treat these bonds as federally taxable "Build America Bonds" for the purposes of the American Recovery and Reinvestment Act and to receive a cash subsidy from the U.S. Treasury equal to 33% of the interest payable on these bonds. For these bonds, the interest rate included is the taxable rate, which does not factor in the cash subsidy from the U.S. Treasury.

C. Notes from Direct Borrowings - The University was indebted for notes from direct borrowings for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2021
UNC System Guaranteed Energy Savings Project	Banc of America Public Capital Corp	1.84%	02/14/2023	\$ 2,685,726	\$ 742,029
UNC Charlotte Energy Savings Project	PNC Equipment Finance, LLC	4.41%	01/23/2029	8,443,099	4,763,194
Motorola Dispatch Consoles	Motorola Solutions Credit Company, LLC	3.49%	08/01/2024	552,027	448,276
Total Notes from Direct Borrowings				\$ 11,680,852	\$ 5,953,499

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2021, are as follows:

Fiscal Year	Annual Requirements			
	Revenue Bonds Payable		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 19,070,000	\$ 21,658,801	\$ 1,105,119	\$ 226,986
2023	19,780,000	20,786,299	1,026,415	189,608
2024	20,620,000	20,036,589	715,767	156,494
2025	20,505,000	19,199,325	729,392	125,535
2026	19,790,000	18,440,266	620,719	94,586
2027-2031	108,265,000	80,292,539	1,756,087	116,887
2032-2036	128,750,000	56,810,647	-	-
2037-2041	125,090,000	30,515,304	-	-
2042-2046	59,790,000	9,929,604	-	-
2047-2050	15,850,000	1,011,675	-	-
Total Requirements	\$ 537,510,000	\$ 278,681,049	\$ 5,953,499	\$ 910,096

Additional information regarding the annual requirements on the due to university component unit is included in Note 8G.

E. Terms of Debt Agreements - The University's debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

Revenue Bonds Payable - The indenture agreements for the University's outstanding revenue bonds of \$537,510,000 contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when the University: (1) fails to pay the principal, interest, or premium on any bonds when due and payable, (2) fails to pay the purchase price of any bonds when due and payable, or (3) fails to observe and perform any other covenant, condition, agreement, or provision contained in the bonds or in the general indenture within thirty days after

written notice has been given to the Board of Governors by the trustee of the bonds.

Upon the occurrence of any event of default, the trustee may, or if required by a majority of the owners of the bonds, must either declare the unpaid principal amount plus any accrued and unpaid interest be due and payable immediately, or enforce all rights of the owners, and require the Board of Governors to carry out agreements with or for the benefit of the owners and to perform its duties under the general indenture. The trustee may also take whatever action at law or in equity may appear necessary or desirable to enforce its rights against the Board of Governors.

Notes from Direct Borrowings - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for the UNC System Guaranteed Energy Savings Installment Financing Agreement dated September 1, 2014. This agreement also contains provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within thirty days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within thirty days.

Upon the occurrence of any event of default, the lender may, without any further demand or notice, declare the unpaid principal amount plus any accrued and unpaid interest be due and payable immediately. The lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys' fees incurred.

The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for the Energy Services Agreement dated May 23, 2013. This agreement also contains provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to perform or meet any of its duties or obligations and cure such failure within thirty business days after written notice is delivered by the energy savings company (ESCO) or financing assignee, (2) the University fails to pay when due any amount to be paid under the agreement, or (3) any statement, representation, or warranty is made by the University in writing and in connection with this agreement that is knowingly false, misleading, or erroneous in any material respect as of the time when made.

Upon the occurrence of any event of default, the ESCO may, without waiver of other remedies that exist at law or in equity, 1) exercise all remedies available at law or in equity, or other appropriate proceedings, including bringing an action or actions from time to time for recovery of

amounts due and unpaid by the University, and/or for damages which shall include all costs and expenses reasonably incurred, including reasonable attorney fees, and/or 2) terminate the agreement.

The University also has a financed purchase agreement (Motorola) which contains provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when the University: (1) fails to make any payment as it becomes due in accordance with the terms of the agreement, (2) fails to perform or observe any other covenant condition or agreement to be performed or observed by it hereunder and such failure is not cured within twenty days after written notice thereof by the vendor, (3) discovery by the vendor that written statements or representations made by the University were false, misleading or erroneous in any material respect, (4) proceedings under any bankruptcy, insolvency, reorganization, or similar legislation is instituted against or by the University, or (5) an attachment, levy, or execution is threatened or levied upon or against the equipment.

Upon the occurrence of any event of default, the vendor may, at its option exercise any one of the following remedies: (1) by written notice to the University, request, at the University's expense, the University promptly discontinue use of the equipment, remove the equipment from the University's computers and electronic devices, return the equipment to the vendor, or vendor, at its option may enter upon the premises where the equipment is located and take immediate possession of and remove the same, (2) promptly return the equipment to the vendor in manner set forth in the agreement (3) exercise any right, remedy, or privilege which may be available to it, or (4) if awarded by a court of competent jurisdiction, University will remain liable for all covenants and indemnities under the agreement and for all legal fees and other costs and expenses, including court costs, incurred by the vendor with respect to the enforcement of any remedies listed above.

F. Bond Defeasance - The University has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

On March 17, 2021, the University issued \$95,250,000 in The University of North Carolina at Charlotte Taxable General Revenue Refunding Bonds, Series 2021 with an average interest rate of 2.71%. The bonds were issued to advance refund \$85,060,000 of outstanding bonds (Taxable General Revenue Bonds, Series 2013B, \$26,745,000; General Revenue Bonds, Series 2014, \$47,850,000; and Series 2015 Taxable Limited Obligation Bonds, \$10,465,000) with an average interest rate of 4.42%. The net proceeds of the refunding bonds were used to purchase U.S. government securities. The substitution of these securities with monetary assets that are not essentially risk-free is not prohibited. The U.S. government securities were deposited into an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments by \$8,307,992 over the

next 24 years and resulted in an economic gain of \$6,225,590. At June 30, 2021, the outstanding balance of these defeased bonds was \$85,060,000.

Prior Year Defeasances - During prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2021, the outstanding balance of prior year defeased bonds was \$100,515,000.

For certain prior year defeasances, the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited. At June 30, 2021, the outstanding balance of prior year defeased bonds for which substitution is not prohibited was \$100,515,000.

- G. Due to University Component Unit** - The Foundation constructed a Hotel and Conference Center (Hotel) and transferred the hotel and land to the University's Endowment during fiscal year 2021. The University's Endowment has entered into an Assignment Agreement (Agreement) with the Foundation to make funds generated from the operation of the Hotel available to the Foundation. The funds are to be used for payment of debt service under the Foundation's construction loan, and thereafter, on its bond financing, as applicable, as well as the Foundation's subordinate obligations related to the Hotel project. Once the Hotel starts to generate revenue the annual requirements to the Foundation will be equal to that of the Foundation's annual debt service and subordinate obligations related to the Hotel project as defined in the Agreement. The Foundation's construction loan carries a variable rate of interest equal to the one-month London Interbank Offered Rate (LIBOR) plus 1.25%, and is secured by the Hotel and related rental revenues. In August 2021, the maturity date of the loan facility was extended to December 1, 2023, and the interest rate was changed to the one-month LIBOR plus 1.35%. On October 13, 2021, the Foundation refinanced the construction loan through the issuance of tax-exempt and taxable Facilities Revenue Bonds Series 2021A and 2021B, as described in Note 22. The University's Endowment recorded a liability of \$70,879,731 for its obligation according to the terms of the Agreement with the Foundation. In the event of any default of any term or condition of the Agreement by the Endowment or Foundation that is not cured within 10 days if the default is monetary or 60 days for any non-monetary default after written notice thereof, the other party may exercise any rights and remedies available at law and in equity, including termination of the Agreement. No credit is pledged of the Endowment, the University, or the State of North Carolina with respect to any amounts to be paid to the Foundation under the terms of the Agreement.

Component Unit

The Foundation has a line of credit agreement allowing it to borrow up to \$5,000,000. The line of credit carries a variable rate of interest equal to the one-month LIBOR plus 1.10% (1.20% as of June 30, 2021). There were no borrowings outstanding on the line of credit as of June 30, 2021. The loan agreement contains a liquidity covenant and also requires that the Foundation maintain a minimum average deposit account balance of \$400,000 with the lender. The line of credit expires on September 5, 2023. There was no interest expense during 2021.

In May 2019, the Foundation entered into a loan agreement with a lender for a \$55,000,000 draw-down facility to provide interim financing for the construction of a 226-room hotel and conference center project on the University campus. The loan facility carries a variable rate of interest equal to the one-month LIBOR plus 1.25% (1.35% as of June 30, 2021). Borrowings on the loan were \$52.5 million as of June 30, 2021. In August 2021, the maturity date of the loan facility was extended to December 1, 2023, and the interest rate was changed to the one-month LIBOR plus 1.35%.

Interest incurred on the construction loan totaled \$628,056 for the year ended June 30, 2021, of which \$387,013 was capitalized.

NOTE 9 - OPERATING LEASE OBLIGATIONS

The University entered into operating leases for classroom and warehouse space, parking spaces, athletic and heavy equipment, copiers, fiber optic cable, and vehicles. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2021:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 949,467
2023	767,333
2024	746,928
2025	569,145
2026	254,522
2027-2031	<u>1,099,269</u>
Total Minimum Lease Payments	\$ <u>4,386,664</u>

Rental expense for all operating leases during the year was \$1,504,572.

NOTE 10 - NET POSITION

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	<u>Amount</u>
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (51,521,868)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(552,713,174)</u>
Effect on Unrestricted Net Position	(604,235,042)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>356,081,126</u>
Total Unrestricted Net Position	<u><u>\$ (248,153,916)</u></u>

See Notes 13 and 14 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 11 - REVENUES

A summary of discounts and allowances by revenue classification is presented as follows:

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts and Allowances</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 275,250,172</u>	<u>\$ 59,835,923</u>	<u>\$ 1,056,180</u>	<u>\$ 214,358,069</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$ 19,899,711	\$ 4,858,096	\$ 174,557	\$ 14,867,058
Dining	11,891,160	2,049,457	65,923	9,775,780
Student Union Services	2,157,689	-	-	2,157,689
Health Services	1,530,253	-	3,781	1,526,472
Parking	3,600,294	-	8,953	3,591,341
Athletic	3,204,595	-	-	3,204,595
Facilities	742,326	-	-	742,326
Other	1,903,551	-	-	1,903,551
Sales and Services of Education and Related Activities	<u>839,168</u>	<u>-</u>	<u>-</u>	<u>839,168</u>
Total Sales and Services, Net	<u>\$ 45,768,747</u>	<u>\$ 6,907,553</u>	<u>\$ 253,214</u>	<u>\$ 38,607,980</u>

NOTE 12 - OPERATING EXPENSES BY FUNCTION

The University's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$216,463,833	\$ 19,002,917	\$ -	\$ -	\$ -	\$235,466,750
Research	17,802,167	15,301,092	-	-	-	33,103,259
Public Service	1,471,850	184,351	-	-	-	1,656,201
Academic Support	44,263,954	11,450,554	-	86,489	-	55,800,997
Student Services	16,557,677	5,203,081	-	1,510	-	21,762,268
Institutional Support	31,663,955	14,603,211	-	6,566	-	46,273,732
Operations and Maintenance of Plant	29,849,660	12,992,870	-	8,034,969	-	50,877,499
Student Financial Aid	-	-	72,114,513	-	-	72,114,513
Auxiliary Enterprises	43,172,814	45,468,151	-	3,318,304	-	91,959,269
Depreciation/Amortization	-	-	-	-	35,169,232	35,169,232
Total Operating Expenses	\$401,245,910	\$ 124,206,227	\$ 72,114,513	\$11,447,838	\$ 35,169,232	\$644,183,720

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of \$19,820,771 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the University in providing the student awards, the related program activity is reported as nonoperating Federal Aid – COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 11.

NOTE 13 - PENSION PLANS

A. Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General

employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The University's contractually-required contribution rate for the year ended June 30, 2021 was 14.78% of covered payroll. Employee contributions to the pension plan were \$7,280,482, and the University's contributions were \$17,934,254 for the year ended June 30, 2021.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. 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 TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term

Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2021, the University reported a liability of \$90,047,124 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. The University's proportion of the net pension liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the University's proportion was 0.74530%, which was an increase of 0.00918 from its proportion measured as of June 30, 2019, which was 0.73612%.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2019
Inflation	3%
Salary Increases*	3.5% - 8.1%
Investment Rate of Return**	7%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 is 1.2%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2019 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net

position was projected to be available to make all projected future benefit payments of the 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 of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2020 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 162,063,674	\$ 90,047,124	\$ 29,640,141

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the University recognized pension expense of \$28,133,452. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 4,962,081	\$ -
Changes of Assumptions	3,051,445	-
Net Difference Between Projected and Actual Earnings on Plan Investments	9,958,289	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,619,187	-
Contributions Subsequent to the Measurement Date	17,934,254	-
Total	\$ 38,525,256	\$ -

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**Schedule of the Net Amount of the Employer's Balances of
Deferred Outflows of Resources and Deferred Inflows of
Resources That will be Recognized in Pension Expense:**

Year Ending June 30:	Amount
2022	\$ 7,532,825
2023	5,750,630
2024	4,340,887
2025	2,966,660
Total	\$ 20,591,002

- B. Defined Contribution Plan** - The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Faculty and staff of the University may join ORP instead of TSERS. The Board of Governors of the University of North Carolina is responsible for the administration of ORP and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under ORP and approves the form and contents of the contracts and trust agreements.

Participants in ORP are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in ORP. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Member and employer contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2021, these rates were set at 6% of covered payroll for members and 6.84% of covered payroll for employers. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of \$321,159,050, of which \$151,537,925 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$9,092,276 and \$10,365,194, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions. Of the total salaries and benefits expense recognized during the fiscal year, \$889,625 was covered with forfeitures.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 *Comprehensive Annual Financial Report*.

B. Plan Descriptions**1. Health Benefits**

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part

of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 15. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina

General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

The Plan's and RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The University's contractually-required contribution rate for the year ended June 30, 2021 was 6.68% of covered payroll. The University's contributions to the RHBF were \$18,228,337 for the year ended June 30, 2021.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the ORP, earned within

96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this

section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2021 was 0.09% of covered payroll. The University's contributions to DIPNC were \$245,591 for the year ended June 30, 2021.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2021, the University reported a liability of \$429,421,307 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The University's proportion of the net OPEB liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the University's proportion was 1.54797%, which was an increase of 0.00768 from its proportion measured as of June 30, 2019, which was 1.54029%.

Net OPEB Asset: At June 30, 2021, the University reported an asset of \$787,458 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The University's proportion of the net OPEB asset was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the University's proportion was 1.60072%, which was an increase of 0.01121 from its proportion measured as of June 30, 2019, which was 1.58951%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the

measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2019	12/31/2019
Inflation	3%	3%
Salary Increases*	3.5% - 8.1%	3.5% - 8.1%
Investment Rate of Return**	7%	3.75%
Healthcare Cost Trend Rate - Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2029	9.5% grading down to 5% by 2029
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return is net of pension plan investment expense, including inflation.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2020.

Best estimates of real rates of return for each major asset class included in RHBF’s target asset allocation as of June 30, 2020 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 is 1.2%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2019 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 2.21%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the University's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

Net OPEB Liability (Asset)			
	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
RHBF	\$ 509,265,009	\$ 429,421,307	\$ 365,091,635
	<u>1% Decrease (2.75%)</u>	<u>Current Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
DIPNC	\$ (680,082)	\$ (787,458)	\$ (891,713)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) 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 healthcare cost trend rates:

Net OPEB Liability (Asset)			
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	\$ 346,190,209	\$ 429,421,307	\$ 540,667,949
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	\$ (788,755)	\$ (787,458)	\$ (786,322)

OPEB Expense: For the fiscal year ended June 30, 2021, the University recognized OPEB expense as follows:

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ (6,910,700)
DIPNC	558,827
Total OPEB Expense	\$ (6,351,873)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:			
	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 389,024	\$ 570,449	\$ 959,473
Changes of Assumptions	18,832,575	61,228	18,893,803
Net Difference Between Projected and Actual Earnings on Plan Investments	904,622	-	904,622
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	43,965,935	-	43,965,935
Contributions Subsequent to the Measurement Date	18,228,337	245,591	18,473,928
Total	\$ 82,320,493	\$ 877,268	\$ 83,197,761

Employer Balances of Deferred Inflows of Resources
Related to OPEB by Classification:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 16,799,490	\$ -	\$ 16,799,490
Changes of Assumptions	174,265,946	62,012	174,327,958
Net Difference Between Projected and Actual Earnings on Plan Investments	-	133,404	133,404
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	14,546,924	96,664	14,643,588
Total	\$ 205,612,360	\$ 292,080	\$ 205,904,440

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of the Net Amount of the Employer's Balances of
Deferred Outflows of Resources and Deferred Inflows of
Resources That will be Recognized in OPEB Expense:

Year Ending June 30:	RHBF	DIPNC
2022	\$ (55,627,523)	\$ 145,580
2023	(55,580,369)	92,020
2024	(13,121,771)	37,564
2025	(3,583,241)	72,233
2026	(13,607,300)	(4,796)
Thereafter	-	(3,004)
Total	\$ (141,520,204)	\$ 339,597

NOTE 15 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

A. Employee Benefit Plans**1. State Health Plan**

University employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 14, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the University for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 14, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled or the employee reaches full retirement eligibility.

B. Other Risk Management and Insurance Activities**1. Automobile, Fire, and Other Property Losses**

The University is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Losses covered by the Fund are subject to a \$10,000 per occurrence deductible. Covered causes of loss include fire, lightning, windstorm, hail, explosion, aircraft/vehicles, riot/civil commotion, smoke, vandalism, sprinkler leakage, sinkhole collapse, volcanic action, falling objects, snow, ice, sleet, water damage, theft, power surge, flood, and any other loss not specifically excluded.

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$7,000,000 per occurrence and \$10,000,000 in the aggregate per policy year via contract with a private insurance company. The University pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible.

4. Statewide Workers' Compensation Program

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

Additional details on the state-administered risk management programs are disclosed in the State's *Annual Comprehensive Financial Report*, issued by the Office of the State Controller.

5. Other Insurance Held by the University

The University mitigated additional risks with the following insurance programs as of June 30, 2021:

A separate professional liability policy underwritten by Medical Mutual Insurance is provided to healthcare professionals. The limit of liability is \$1,000,000 per claim and \$3,000,000 aggregate annually.

The University is protected for losses from the risk of a cyber breach for first party cyber claims and Payment Card Industry (PCI) fines with a \$5,000,000 annual policy aggregate limit and a \$250,000 deductible per claim. Sublimits apply as described in the current policy. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$16,414,110 and on a contract for maintenance of technology assets was \$647,421 at June 30, 2021.
- B. Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

NOTE 17 - THE CORONAVIRUS PANDEMIC EMERGENCY

In response to the coronavirus pandemic emergency, the federal government provided grants to the State and the University through various coronavirus program funds appropriated by (1) The Coronavirus Aid, Relief, and Economic Security Act (CARES), (2) The Coronavirus Response and Relief Supplemental Appropriations within the Federal Consolidated Appropriations Act of 2021 (CRRSA), and (3) The American Rescue Plan Act of 2021 (ARP).

The grant revenues from the various coronavirus program funds are contingent upon meeting the terms and conditions of the grant and signed agreements with the funding agencies, incurring qualifying expenditures, and are reported in the following nonoperating revenue captions of the financial statements:

State Aid - Coronavirus - This caption includes grant funds received directly by the State from the U.S. Department of Treasury, Coronavirus Relief Fund (CRF), and appropriated by the State to the University.

Federal Aid - COVID-19 - This caption includes grant funds received directly by the University from the U.S. Department of Education, Higher Education Emergency Relief Funds (HEERF). This caption also includes pass-through grant funds from the Governors Emergency Education Relief (GEER) Fund.

Summary of State and Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended June 30, 2021:

Program	Total Authorized Award	2020 Earned Revenue	2021 Earned Revenue
State Aid - Coronavirus:	N/A	<u>\$ 223,550</u>	<u>\$ 17,563,548</u>
Federal Aid - COVID-19:			
HEERF Funds	\$ 139,310,643	\$ 12,404,787	\$ 52,347,879
GEER Funds	727,808	<u>-</u>	<u>727,808</u>
Total Federal Aid - COVID-19	N/A	<u>\$ 12,404,787</u>	<u>\$ 53,075,687</u>

NOTE 18 - RELATED PARTY

The Athletic Foundation of the University of North Carolina at Charlotte, Inc. (Athletic Foundation) is a separately incorporated nonprofit foundation associated with the University.

The Athletic Foundation serves as the primary fundraising arm of the University's Athletic Department through which individuals, corporations, and other organizations support the University's student athletic programs through donor contributions. Donations are used to provide the University with funds to distribute as athletic scholarships and to provide other support to the athletic programs. The University's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Athletic Foundation, except for amounts included in the fiduciary statements and support from the organization to the University. This support approximated \$1,590,165 for the year ended June 30, 2021.

The University contributed services valued at \$814,247 for Athletic Foundation financial and administrative support for the year ended June 30, 2021.

NOTE 19 - BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component units for the year ended June 30, 2021, is presented as follows:

**Condensed Statement of Net Position
Proprietary Fund
June 30, 2021**

	University	FDC	UNCCIF*	Eliminations	Total
ASSETS					
Current Assets	\$ 399,214,712	\$ 40,457	\$ 10,442,058	\$ (10,442,058)	\$ 399,255,169
Capital Assets, Net	1,487,692,366	-	-	-	1,487,692,366
Other Noncurrent Assets	229,037,699	-	288,654,490	(288,654,490)	229,037,699
Total Assets	2,115,944,777	40,457	299,096,548	(299,096,548)	2,115,985,234
TOTAL DEFERRED OUTFLOWS OF RESOURCES	131,625,365	-	-	-	131,625,365
LIABILITIES					
Current Liabilities	54,780,687	740	169,301	(169,301)	54,781,427
Long-Term Liabilities, Net	1,178,188,193	-	-	-	1,178,188,193
Other Noncurrent Liabilities	12,401,310	-	-	-	12,401,310
Total Liabilities	1,245,370,190	740	169,301	(169,301)	1,245,370,930
TOTAL DEFERRED INFLOWS OF RESOURCES	205,929,878	-	-	-	205,929,878
NET POSITION					
Net Investment in Capital Assets	939,518,252	-	-	-	939,518,252
Restricted - Nonexpendable	47,516,605	-	298,927,247	(298,927,247)	47,516,605
Restricted - Expendable	57,428,850	-	-	-	57,428,850
Unrestricted	(248,193,633)	39,717	-	-	(248,153,916)
Total Net Position	\$ 796,270,074	\$ 39,717	\$ 298,927,247	\$ (298,927,247)	\$ 796,309,791

*UNCCIF amounts include the portion that is attributable to The Foundation of the University of North Carolina at Charlotte, Inc., which is discretely presented in Exhibit C-1 of the financial statements. This discretely presented portion is also removed from the financial statements via eliminations. UNCCIF amounts also include the Fiduciary Fund attributable to the Athletic Foundation of the University of North Carolina at Charlotte, Inc., presented in Exhibit B-1 of the financial statements. The discretely presented and the fiduciary portions are removed via eliminations.

NOTES TO THE FINANCIAL STATEMENTS

Condensed Statement of Revenues, Expenses, and Changes in Net Position Proprietary Fund For the Fiscal Year Ended June 30, 2021

	University	FDC	UNCCIF*	Eliminations	Total
OPERATING REVENUES					
Student Tuition and Fees, Net	\$ 214,358,069	\$ -	\$ -	\$ -	\$ 214,358,069
Grants & Contracts	45,960,279	-	-	-	45,960,279
Sales and Services, Net	37,601,380	1,006,600	-	-	38,607,980
Other Operating Revenues	3,832,711	-	-	-	3,832,711
Total Operating Revenues	<u>301,752,439</u>	<u>1,006,600</u>	<u>-</u>	<u>-</u>	<u>302,759,039</u>
OPERATING EXPENSES					
Operating Expenses	608,907,626	106,862	-	-	609,014,488
Depreciation/Amortization	34,951,467	217,765	-	-	35,169,232
Total Operating Expenses	<u>643,859,093</u>	<u>324,627</u>	<u>-</u>	<u>-</u>	<u>644,183,720</u>
Operating Income (Loss)	<u>(342,106,654)</u>	<u>681,973</u>	<u>-</u>	<u>-</u>	<u>(341,424,681)</u>
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	255,438,158	-	-	-	255,438,158
Contributions and Aid	161,993,764	-	-	-	161,993,764
Investment Income (Net of Investment Expense)	28,471,382	1,082	73,047,265	(73,047,265)	28,472,464
Interest and Fees on Debt	(20,652,282)	(313,019)	-	-	(20,965,301)
Allocation to Owners	-	-	(73,047,265)	73,047,265	-
Other	(1,087,651)	-	-	-	(1,087,651)
Net Nonoperating Revenues (Expenses)	<u>424,163,371</u>	<u>(311,937)</u>	<u>-</u>	<u>-</u>	<u>423,851,434</u>
Capital Contributions	45,054,218	-	-	-	45,054,218
Transfers	4,504,935	(4,504,935)	-	-	-
Additions to Endowments	25,231	-	-	-	25,231
Total Other Revenues (Expenses)	<u>49,584,384</u>	<u>(4,504,935)</u>	<u>-</u>	<u>-</u>	<u>45,079,449</u>
Increase (Decrease) in Net Position	131,641,101	(4,134,899)	-	-	127,506,202
NET POSITION					
Net Position, July 1, 2020	<u>664,628,973</u>	<u>4,174,616</u>	<u>-</u>	<u>-</u>	<u>668,803,589</u>
Net Position, June 30, 2021	<u>\$ 796,270,074</u>	<u>\$ 39,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 796,309,791</u>

*UNCCIF amounts include the portion that is attributable to The Foundation of the University of North Carolina at Charlotte, Inc., which is discretely presented in Exhibit C-2 of the financial statements. This discretely presented portion is also removed from the financial statements via eliminations. UNCCIF amounts also include the Fiduciary Fund attributable to the Athletic Foundation of the University of North Carolina at Charlotte, Inc., presented in Exhibit B-2 of the financial statements. The discretely presented and the fiduciary portions are removed via eliminations.

Condensed Statement of Cash Flows
Proprietary Fund
June 30, 2021

	<u>University</u>	<u>FDC</u>	<u>Total</u>
Net Cash Provided (Used) by Operating Activities	\$ (320,651,380)	\$ 975,659	\$ (319,675,721)
Net Cash Provided (Used) by Noncapital Financing Activities	403,450,235	(133,836)	403,316,399
Net Cash Used by Capital and Related Financing Activities	(54,878,131)	(1,048,982)	(55,927,113)
Net Cash Provided by Investing Activities	<u>5,736,875</u>	<u>1,413</u>	<u>5,738,288</u>
Net Increase (Decrease) in Cash and Cash Equivalents	33,657,599	(205,746)	33,451,853
Cash and Cash Equivalents, July 1, 2020, as Restated	<u>365,060,132</u>	<u>230,746</u>	<u>365,290,878</u>
Cash and Cash Equivalents, June 30, 2021	<u>\$ 398,717,731</u>	<u>\$ 25,000</u>	<u>\$ 398,742,731</u>

NOTE 20 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2021, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 93, Replacement of Interbank Offered Rates

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 98, The Annual Comprehensive Financial Report

GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

GASB Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR).

GASB Statement No. 97's primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other

postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

NOTE 21 - NET POSITION RESTATEMENT

The University's fiduciary activities were previously reported within the proprietary fund in single-column financial statements. Because fiduciary assets were accompanied by offsetting liabilities, these activities previously did not report a net position balance. Following the implementation of GASB Statement No. 84, the University's fiduciary activities are now reported on separate financial statements. As a result, fiduciary net position was restated to \$15,220,471 as of July 1, 2020. This restatement had no effect on the July 1, 2020 net position of the University's proprietary fund. However, on the Statement of Cash Flows, beginning cash and cash equivalents were restated for balances that are now reported on the Statement of Fiduciary Net Position.

NOTE 22 - SUBSEQUENT EVENT

University - On September 16, 2021, the Board of Governors of the University of North Carolina, on behalf of UNC Charlotte, ratified the issuance of up to \$147 million in taxable General Revenue Bonds, Series 2021B, for the purpose of 1) advance refunding the callable maturities of UNC Charlotte's Series 2013A Bonds, 2) advance refunding the callable maturities of Series 2015 Bonds, and 3) paying the costs of issuance of the 2021B Bonds.

Component Unit - On October 13, 2021, the Foundation issued \$59.0 million in tax-exempt Facilities Revenue Bonds, Series 2021A, and \$4.2 million in taxable Facilities Revenue Bonds, Series 2021B. The bonds are dated October 13, 2021, and bear interest from that date. Interest on the bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2022. The bonds consist of term bonds that will mature from 2027 to 2056, with interest rates ranging from 4% to 5%. The bonds were issued for the purpose of 1) paying off the Foundation's construction loan on the hotel project, 2) capitalizing interest on the bonds through December 2023 and funding required reserves, and 3) paying the costs of issuance of the bonds.



REQUIRED SUPPLEMENTARY INFORMATION

**The University of North Carolina at Charlotte
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Eight Fiscal Years***

Exhibit D-1

Teachers' and State Employees' Retirement System	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net Pension Liability	0.74530%	0.73612%	0.71481%	0.70204%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 90,047,124	\$ 76,313,244	\$ 71,167,120	\$ 55,702,950
Covered Payroll	\$ 123,102,780	\$ 120,175,366	\$ 114,333,290	\$ 109,431,980
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	73.15%	63.50%	62.25%	50.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%
	2017	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	0.66102%	0.67044%	0.67809%	0.66110%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 60,754,566	\$ 24,707,041	\$ 7,950,070	\$ 40,135,507
Covered Payroll	\$ 101,985,427	\$ 98,002,228	\$ 96,704,555	\$ 95,240,521
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	59.57%	25.21%	8.22%	42.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

**The University of North Carolina at Charlotte
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years**

Exhibit D-2

Teachers' and State Employees' Retirement System	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 17,934,254	\$ 15,966,431	\$ 14,769,553	\$ 12,325,129	\$ 10,921,312
Contributions in Relation to the Contractually Determined Contribution	17,934,254	15,966,431	14,769,553	12,325,129	10,921,312
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 121,341,364	\$ 123,102,780	\$ 120,175,366	\$ 114,333,290	\$ 109,431,980
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%
	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 9,331,667	\$ 8,967,204	\$ 8,403,626	\$ 7,933,535	\$ 6,735,742
Contributions in Relation to the Contractually Determined Contribution	9,331,667	8,967,204	8,403,626	7,933,535	6,735,742
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 101,985,427	\$ 98,002,228	\$ 96,704,555	\$ 95,240,521	\$ 90,534,160
Contributions as a Percentage of Covered Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

**The University of North Carolina at Charlotte
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2021**

Changes of Benefit Terms:

Cost of Living Increase

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Teachers' and State Employees' Retirement System	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.20% to 7.00% for the December 31, 2017 valuation. For the December 31, 2019 valuation, the discount rate was 7.00%.

The Boards of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, the plan now uses a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*.

N/A - Not Applicable

**The University of North Carolina at Charlotte
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Five Fiscal Years***

Exhibit D-3

Retiree Health Benefit Fund	2021	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net OPEB Liability	1.54797%	1.54029%	1.46220%	1.37590%	1.47880%
Proportionate Share of Collective Net OPEB Liability	\$ 429,421,307	\$ 487,339,827	\$ 416,554,876	\$ 451,110,687	\$ 643,328,264
Covered Payroll	\$ 273,878,099	\$ 267,338,387	\$ 255,356,381	\$ 243,798,332	\$ 226,082,790
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	156.79%	182.29%	163.13%	185.03%	284.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina					
Proportionate Share Percentage of Collective Net OPEB Asset	1.60072%	1.58951%	1.52036%	1.50392%	1.35886%
Proportionate Share of Collective Net OPEB Asset	\$ 787,458	\$ 685,874	\$ 461,825	\$ 919,196	\$ 843,852
Covered Payroll	\$ 273,878,099	\$ 267,338,387	\$ 255,356,381	\$ 243,798,332	\$ 226,082,790
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.29%	0.26%	0.18%	0.38%	0.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	113.00%	108.47%	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

**The University of North Carolina at Charlotte
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years**

Exhibit D-4

Retiree Health Benefit Fund	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 18,228,337	\$ 17,719,913	\$ 16,762,117	\$ 15,449,061	\$ 14,168,417
Contributions in Relation to the Contractually Determined Contribution	18,228,337	17,719,913	16,762,117	15,449,061	14,168,417
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 272,879,289	\$ 273,878,099	\$ 267,338,387	\$ 255,356,381	\$ 243,798,332
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%
	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 12,660,636	\$ 11,738,557	\$ 10,996,246	\$ 10,338,012	\$ 9,213,710
Contributions in Relation to the Contractually Determined Contribution	12,660,636	11,738,557	10,996,246	10,338,012	9,213,710
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 226,082,790	\$ 213,817,074	\$ 203,634,194	\$ 195,056,825	\$ 184,274,209
Contributions as a Percentage of Covered Payroll	5.60%	5.49%	5.40%	5.30%	5.00%
	2021	2020	2019	2018	2017
Disability Income Plan of North Carolina					
Contractually Required Contribution	\$ 245,591	\$ 273,878	\$ 374,274	\$ 357,499	\$ 926,434
Contributions in Relation to the Contractually Determined Contribution	245,591	273,878	374,274	357,499	926,434
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 272,879,289	\$ 273,878,099	\$ 267,338,387	\$ 255,356,381	\$ 243,798,332
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%
	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 926,939	\$ 876,650	\$ 895,990	\$ 858,250	\$ 958,226
Contributions in Relation to the Contractually Determined Contribution	926,939	876,650	895,990	858,250	958,226
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 226,082,790	\$ 213,817,074	\$ 203,634,194	\$ 195,056,825	\$ 184,274,209
Contributions as a Percentage of Covered Payroll	0.41%	0.41%	0.44%	0.44%	0.52%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

The University of North Carolina at Charlotte
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2021

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pockets maximums, and deductibles were changed for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pockets maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 14 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

For the actuarial valuation measured as of June 30, 2020, the discount rate for the RHBF was updated to 2.21%. In the prior year, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claim costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed December 2019.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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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
The University of North Carolina at Charlotte
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 fiduciary activities of The University of North Carolina at Charlotte (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 15, 2021. Our report includes a reference to other auditors who audited the financial statements of The University of North Carolina at Charlotte Investment Fund, Inc., The University of North Carolina at Charlotte Facilities Development Corporation, Inc., and the consolidated financial statements of The Foundation of the University of North Carolina at Charlotte, Inc., as described in our report on the University's financial statements. The financial statements of The University of North Carolina at Charlotte Investment Fund, Inc., The University of North Carolina at Charlotte Facilities Development Corporation, Inc., and the consolidated financial statements of The Foundation of the University of North Carolina at Charlotte, Inc. 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 and other matters associated with those entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing 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 the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 the University'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 the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 15, 2021

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This audit required 644.5 hours at an approximate cost of \$68,317.