STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

NORTH CAROLINA CENTRAL UNIVERSITY

DURHAM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2022

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

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of North Carolina Central University for the year ended June 30, 2022, 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

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State Auditor

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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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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
North Carolina Central University
Durham, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of North Carolina Central University (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, 2022, 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 North Carolina Central University, and its discretely presented component unit, as of June 30, 2022, 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 financial statements of the NCCU Real Estate Foundation, Inc., which represent 4 percent of the assets of the University; nor the financial statements of the North Carolina Central University Foundation, Inc. (NCCU Foundation Inc.), the University's discretely presented component unit. Those financial statements 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 North Carolina Central University 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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and GAGAS 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 January 10, 2023 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.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

January 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis is intended to give the reader an overview of factors that have affected operations and may affect operations in the future for North Carolina Central University (the University). Management has prepared the discussion and analysis to be read in conjunction with the financial statements and accompanying notes to the financial statements. The University is required by the Governmental Accounting Standards Board (GASB) to present three basic financial statements. Those statements are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the University.

In addition to the University's financial statements and accompanying notes, information for its component units are presented. The Statement of Financial Position, Statement of Activities and Changes in Net Assets, and certain notes for the North Carolina Central University Foundation, Inc. (NCCU Foundation) are discretely presented alongside the University financial statements; however, the discretely presented component unit is not included in management's discussion and analysis. More information describing the relationship between the University and its discretely presented component unit can be found in Note 1A, Significant Accounting Policies - Financial Reporting Entity.

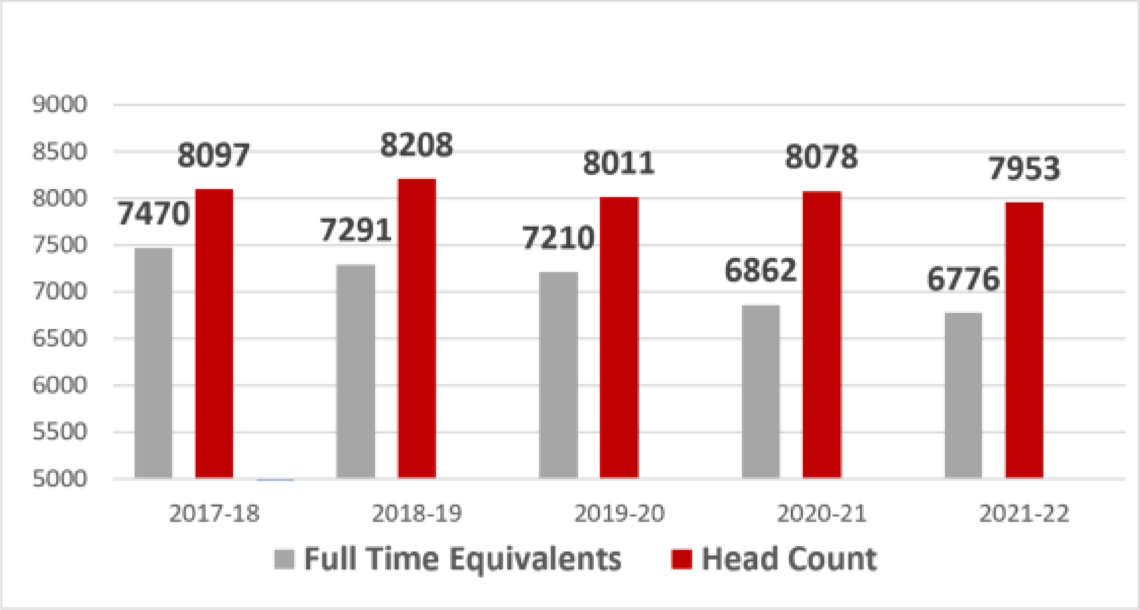
Brief Institutional Highlights

The University is dedicated to the field of research and continues to apply for grants. For the fiscal year ended June 30, 2022, the Office of Sponsored Research submitted 153 grant proposals and received 82 grant awards of $27.3 million to be received over the next three to five years.

For fiscal year ended June 30, 2022, the University's adjusted state appropriations were $90.7 million, which is an increase of $8.7 million, from the fiscal year 2021 adjusted state appropriations of $82.0 million. The University's fiscal year 2022 total state budget increased by $6.2 million, or 4.5%, from $136.7 million in 2021 to $142.9 million in 2022.

During fiscal year 2021-22, the University's total headcount decreased 1.5% which is consistent with the historic decline where fewer students have enrolled in higher education since Fall 2020. The first-year to second-year full-time undergraduate retention rate remained strong at 73.6% from fiscal year 2020-21 to 2021-22, and indicates satisfaction among the student body. This consistent trend in retention can be attributed to the University's recruitment, marketing, and innovative programs to target high-caliber students.

FTE and Head Count 2018 to 2022



Financial Highlights

The Statement of Net Position reports all of the University's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The sum of assets and deferred outflows of resources, less the liabilities and deferred inflows of resources is reported as net position. The statement classifies those assets and liabilities as current and noncurrent depending on the availability of the assets or satisfaction of the obligation within 12 months (current) or longer (noncurrent). The reader may use the net position to gauge the financial position of University as of June 30, 2022.

Condensed Statement of Net Position

	2022	2021 (Restated)
Assets		
Current Assets	$ 54,566,664	$ 52,059,764
Capital Assets, Net	418,362,535	368,684,126
Other Noncurrent Assets	56,020,009	72,074,294
Total Assets	528,949,208	492,818,184
Deferred Outflows of Resources	36,543,569	32,378,135
Liabilities		
Current Liabilities		
Long-Term Liabilities - Current Portion	8,017,351	7,412,347
Other Current Liabilities	23,014,066	16,453,150
Total Current Liabilities	31,031,417	23,865,497
Noncurrent Liabilities		
Long-Term Liabilities, Net	262,657,299	283,142,321
Other Noncurrent Liabilities	2,879,574	1,565,982
Total Noncurrent Liabilities	265,536,873	284,708,303
Total Liabilities	296,568,290	308,573,800
Deferred Inflows of Resources	156,797,322	131,324,448
Net Position		
Net Investment in Capital Assets	222,554,573	200,911,318
Restricted - Nonexpendable	16,129,634	16,281,111
Restricted - Expendable	40,624,409	42,682,079
Unrestricted	(167,181,451)	(174,576,437)
Total Net Position	$ 112,127,165	$ 85,298,071

As of June 30, 2022, the University's total assets were $528.9 million as compared to $492.8 million in the prior year (as restated), an increase of $36.1 million. The change in assets reflects an increase of $2.5 million in current assets, an increase of $49.7 million in net capital assets, and a decrease of $16.1 million in other noncurrent assets. The net capital assets increase is primarily driven by the $30.7 million service concession arrangement and $24.2 million in construction in progress for the new school of business and student union, and is offset by accumulated depreciation increase of $9.1 million – see the capital assets section below for more details. The other noncurrent assets decrease of $16.1 million is mainly attributable to the decrease of restricted cash that was used to fund capital expenditures.

Deferred outflows of resources were $36.5 million as of June 30, 2022, compared to $32.4 million as of the prior fiscal year, an increase of $4.1 million. Refer to Notes 14 and 15 for details of the changes in pension and other postemployment benefits activity.

The University's liabilities totaled $296.6 million at June 30, 2022 as compared to $308.6 million (as restated), a decrease of $12.0 million. There was a $6.6 million increase in other current liabilities, which was primarily driven by an increase in deferred revenue for summer school, unused grants, and accounting adjustments in the Real Estate Foundation. This was offset by the decrease in long-term liabilities that was primarily attributable to the principal payments on debt and the combined change in the net pension liability and net other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75, respectively. See Note 9 of the

Notes to the Financial Statements for additional information regarding debt and long-term liabilities.

The current liabilities balance of $31.0 million was covered 1.8 times by current assets of $54.6 million, which is an indication of the University's ability to pay current liabilities as they become due.

Deferred inflows of resources increased by $25.5 million primarily due to the service concession arrangement related to the new residence hall coming online. See Note 7 to the financial statements for further details.

As of June 30, 2022, the University's total net position was $112.1 million compared to $85.3 million in the prior year (as restated), an increase of $26.8 million. See Note 20 to the financial statements for details on the net position restatement. Net investment in capital assets increased by $21.6 million primarily due to the capital expenditures for the Student Union and School of Business, offset by the decrease in capital related debt and unspent bond proceeds. Unrestricted net position increased $7.4 million, primarily due to an overall net decrease in obligations related to the pension and OPEB plans.

During the current fiscal year, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This implementation included the addition of right-to-use assets which are included in the restated 2021 amounts. More information on this implementation can be seen in Notes 6 and 10 relating to capital assets and lease liability, respectively.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

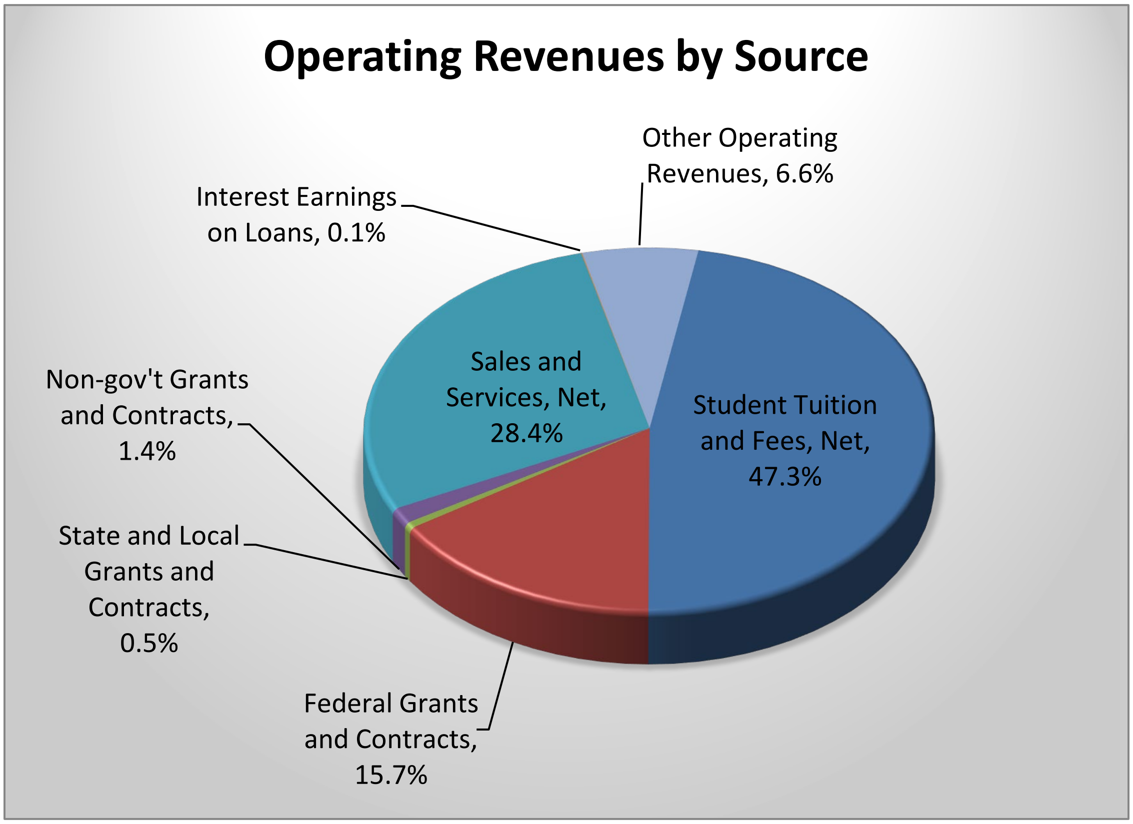
	2022	2021 (Restated)
Operating Revenues		
Student Tuition and Fees, Net	$ 39,543,150	$ 48,662,582
Contracts and Grants	14,735,285	13,706,506
Sales and Services, Net	23,741,184	21,778,548
Other Operating Revenues	5,596,599	4,407,056
Total Operating Revenues	83,616,218	88,554,692
Operating Expenses		
Salaries and Benefits	115,664,935	119,995,340
Supplies and Services	92,768,099	55,996,647
Scholarships and Fellowships	42,942,600	25,135,317
Utilities	5,063,469	4,644,756
Depreciation/Amortization	9,069,940	9,898,836
Total Operating Expenses	265,509,043	215,670,896
Operating Loss	(181,892,825)	(127,116,204)
Nonoperating Revenues (Expenses)		
State Appropriations	90,650,121	81,978,866
State Aid - Coronavirus	1,765,347	1,762,277
Student Financial Aid	20,851,949	20,482,239
Federal Aid - COVID-19	61,395,199	26,201,776
Noncapital Contributions	11,655,593	12,923,725
Investment Income, Net	1,190,617	17,195,034
Interest and Fees on Debt	(3,641,935)	(3,938,350)
Other Nonoperating Revenue	1,443,607	2,628,274
Income Before Other Revenues	3,417,673	32,117,637
Capital Grants and Appropriations	23,411,421	4,598,583
Increase in Net Position	26,829,094	36,716,220
Net Position - Beginning of Year as Restated	85,298,071	49,491,039
Restatement		(909,188)
Net Position - End of Year	$ 112,127,165	$ 85,298,071

Fiscal year 2022 total revenues are $295,980,072 and total expenses are $269,150,978.
Fiscal year 2021 total revenues are $256,325,466 and total expenses are $219,609,246.

The Statement of Revenues, Expenses, and Changes in Net Position reports the revenues earned and expenses incurred during the fiscal year. The increase or decrease of revenues over expenses directly affects (increases/decreases) the total net position reported on the Statement of Net Position. These transactions are classified as operating or nonoperating. Operating revenues primarily consist of student tuition and fees reported net of discounts and scholarship allowances, federal and state contracts and grants, and auxiliary sales and services revenues.

Operating expenses consist of salaries, supplies and services, scholarships, utilities, and depreciation/amortization.

The University's operating revenues were $83.6 million for fiscal year 2022 and $88.6 million for fiscal year 2021, which equates to a decrease of $5.0 million or 5.6%. The decrease is primarily attributable to $9.1 million decrease in student tuition and fees as there was an increase in scholarship discounts resulting from the Higher Education Emergency Relief Funds (HEERF). This is primarily offset by a $1.2 million increase in other operating revenues due to the service concession arrangement from the Lawson Street Residence and increased sales and services revenues of $2.0 million as the University returned to normal operations from COVID-19.



Total operating expenses for fiscal year 2022 increased by $49.8 million, or 23.1% over fiscal year 2021. Scholarships and fellowships awarded increased by $17.8 million primarily due to an increase in the amount of HEERF which provided emergency aid grants to students for expenses related to the disruption of campus operations due to COVID-19. Supplies and services increased $36.8 million primarily due to costs associated with students returning to campus as well as increases in housing renovations and supplies and equipment purchases related to COVID-19. Salaries and benefits expenses decreased by $4.3 million primarily due to the net change in pension and OPEB plans.

Overall, the University sustained a total operating loss of $181.9 million in fiscal year 2022, which is $54.8 million higher than the fiscal year 2021 operating loss of $127.1 million. Operating losses are projected to continue in the future, due to the accounting requirement to categorize state appropriations, a significant source of funding, as nonoperating revenues. The state appropriations for fiscal year 2022 were $90.7 million, an increase of $8.7 million primarily due to increased funding appropriated by the State.

Nonoperating revenues and expenses stem from transactions that occur outside of the primary scope of the University's purpose for existence and for which no goods or services are provided. State appropriations, noncapital contributions, investment income and expenses, and debt related interest primarily represent the nonoperating revenues and expenses. At June 30, 2022, investment income was $1.2 million, a decrease of $16.0 million from the prior fiscal year due to unfavorable market returns. Due to the impact of COVID-19, the University also received Coronavirus Federal Aid of $61.4 million and State Aid of $1.8 million. Capital grants and appropriations increased $18.8 million primarily due to increased state funding for capital projects for the School of Business.

Capital Assets and Debt Administration

As of June 30, 2022, there was $29.1 million of construction in progress, a $25.5 million net decrease from the prior year. Construction in progress decreased by $49.7 million due to the completion of the Student Union, offset by an increase of $24.2 million for construction costs on the School of Business and Student Union. During fiscal year 2022, there was $0.3 million in land purchases primarily related to the new School of Business. Buildings increased $81.3 million primarily related to the completion of the Student Union and completion of the Lawson Street Apartments under the service concession arrangement. For additional information concerning capital assets, see Notes 1(H), 6 and 17(A) in the Notes to the Financial Statements. See Note 7 for additional information on the service concession arrangement.

As of June 30, 2022, the University had $103.1 million in outstanding bonds, notes, and leases payable. This is primarily comprised of $46.6 million of 2016 Revenue Bonds issued to advance refund the 2009C UNC system Pool Revenue Bonds for the construction of Chidley North Residence Hall, Latham Parking Deck, and renovations to the Walker Athletic Complex, $12.1 million of revenue Bonds for the construction of Eagle's Landing Residence Hall, $39.9 million of 2019 General Revenue Bonds for the new Student Union, and $3.7 million in notes payable for energy, housing projects, and freightliner vans.

The University's Moody's Investor Service rating at June 30, 2022 was A3 with a stable outlook. The rating has the potential to affect the cost of capital for any future borrowing that the University undertakes.

For additional information concerning debt administration, see Note 9 in the Notes to the Financial Statements.

Economic Outlook

The University will stay the course for building upon the foundation that has produced relatively stable headcount and a first-year to second-year full-time undergraduate retention rate that has remained greater than 73%. These trends are the result of strategic initiatives that include expanding partnerships with other academic institutions, building a robust online platform, offering innovative programs that increase opportunities to underserved populations, and increasing recruitment and marketing efforts to target high-caliber students.

The University has committed to raising funds for the Cheatham-White scholarships that will offer a fully funded four-year merit scholarship to cover all costs of attendance for up to 50 selected students. State appropriations will match the fundraising for the scholarships to the students who meet the merit requirements.

The continual growth of North Carolina especially in the Triangle area, the desirability of a college degree, the underserved community that are our customers, and our continued outreach through partnerships and innovative programs to not only traditional students but to non-traditional students as well is a basis for forecasting that there will be an increasing demand for our product.

The Eagle Promise has established the following strategic priorities: to embrace student success and offer multiple access points for students seeking higher education; to expand the University's portfolio of academic offerings and research initiatives and provide new opportunities for global immersion; to expand partnerships with higher education institutions, community colleges, K-12, private industry and nonprofits to recruit, support and employ students; to facilitate the development of innovative strategies with Durham County, the City of Durham, and the Research Triangle to create economic opportunity and revitalization in areas surrounding the University; to reinforce and invest in improved security measures to enhance campus safety and well-being; and to improve and build new infrastructure to better accommodate the University community as it grows and thrives.

The University remains at the forefront of research within the State of North Carolina. The Julius L. Chambers Biomedical/Biotechnology Research Institute (BBRI) and the Bio-manufacturing Research Institute and Technology Enterprise (BRITE) provide a wealth of research opportunities for undergraduate and Ph.D. students.

The University actively applies for grants in support of research and other academic programs, and receives grant funding from numerous sponsors. The above trends all point toward a bright future ahead for the University. Under the veteran leadership of Chancellor Akinleye, North Carolina Central University is prepared to deliver on the eagle promise and to soar to new heights.

Financial Statements

North Carolina Central University
Statement of Net Position
June 30, 2022

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	19,793,754
Restricted Cash and Cash Equivalents		18,348,663
Restricted Short-Term Investments		1,712,062
Receivables, Net (Note 5)		13,791,975
Due from University Component Unit		164,395
Inventories		614,165
Notes Receivable, Net (Note 5)		141,650
Total Current Assets		54,566,664
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		269,550
Endowment Investments		55,231,104
Notes Receivable, Net (Note 5)		448,808
Net Other Postemployment Benefits Asset		70,547
Capital Assets - Nondepreciable (Note 6)		41,500,184
Capital Assets - Depreciable, Net (Note 6)		376,862,351
Total Noncurrent Assets		474,382,544
Total Assets		528,949,208
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		17,119,733
Deferred Outflows Related to Other Postemployment Benefits (Note 15)		19,423,836
Total Deferred Outflows of Resources		36,543,569
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 8)		12,179,978
Funds Held for Others		164,395
Unearned Revenue		9,580,329
Interest Payable		1,089,364
Long-Term Liabilities - Current Portion (Note 9)		8,017,351
Total Current Liabilities		31,031,417
Noncurrent Liabilities:		
Deposits Payable		400
Funds Held for Others		784,400
U.S. Government Grants Refundable		2,094,774
Long-Term Liabilities, Net (Note 9)		262,657,299
Total Noncurrent Liabilities		265,536,873
Total Liabilities		296,568,290

DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Under Service Concession Arrangements (Note 7)	94,425,971
Deferred Inflows Related to Pensions	19,878,555
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	42,492,796
Total Deferred Inflows of Resources	156,797,322
NET POSITION	
Net Investment in Capital Assets	222,554,573
Restricted:	
Nonexpendable:	
Scholarships and Fellowships	4,710,023
Endowed Professorships	10,973,046
Loans	446,565
Total Restricted-Nonexpendable Net Position	16,129,634
Expendable:	
Scholarships and Fellowships	3,877,545
Research	392,784
Endowed Professorships	31,312,439
Departmental Uses	435,014
Capital Projects	4,605,983
Other	644
Total Restricted-Expendable Net Position	40,624,409
Unrestricted	(167,181,451)
Total Net Position	$ 112,127,165

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

North Carolina Central University
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022 — *Exhibit A-2*

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 12)	$ 39,543,150
Federal Grants and Contracts	13,127,130
State and Local Grants and Contracts	434,076
Nongovernmental Grants and Contracts	1,174,079
Sales and Services, Net (Note 12)	23,741,184
Interest Earnings on Loans	45,691
Other Operating Revenues	5,550,908
Total Operating Revenues	83,616,218
OPERATING EXPENSES	
Salaries and Benefits	115,664,935
Supplies and Services	92,768,099
Scholarships and Fellowships	42,942,600
Utilities	5,063,469
Depreciation/Amortization	9,069,940
Total Operating Expenses	265,509,043
Operating Loss	(181,892,825)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	90,650,121
State Aid - Coronavirus	1,765,347
Student Financial Aid	20,851,949
Federal Aid - COVID-19	61,395,199
Noncapital Contributions	11,655,593
Investment Income (Net of Investment Expense of $301,991)	1,190,617
Interest and Fees on Debt	(3,641,935)
Other Nonoperating Revenues	1,443,607
Net Nonoperating Revenues	185,310,498
Income Before Other Revenues	3,417,673
Capital Appropriations	11,058,488
Capital Contributions	12,352,933
Total Other Revenues	23,411,421
Increase in Net Position	26,829,094
NET POSITION	
Net Position - July 1, 2021, as Restated (Note 20)	85,298,071
Net Position - June 30, 2022	$ 112,127,165

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

North Carolina Central University
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2022 — *Page 1 of 2*

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	82,657,138
Payments to Employees and Fringe Benefits		(135,690,674)
Payments to Vendors and Suppliers		(93,391,988)
Payments for Scholarships and Fellowships		(42,942,600)
Loans Issued		60,755
Interest Earned on Loans		45,691
William D. Ford Direct Lending Receipts		68,342,353
William D. Ford Direct Lending Disbursements		(68,342,353)
Related Activity Agency Disbursements		(256,386)
Other Receipts		4,915,591
Net Cash Used by Operating Activities		(184,602,473)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		90,650,121
State Aid - Coronavirus		1,765,347
Student Financial Aid		20,904,616
Federal Aid - COVID-19		64,538,817
Noncapital Contributions		10,849,062
Total Cash Provided by Noncapital Financing Activities		188,707,963
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Capital Appropriations		11,058,488
Capital Contributions		12,352,933
Acquisition and Construction of Capital Assets		(29,282,422)
Principal Paid on Capital Debt and Leases		(5,851,988)
Interest and Fees Paid on Capital Debt and Leases		(3,705,085)
Net Cash Used by Capital Financing and Related Financing Activities		(15,428,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		400,521
Purchase of Investments and Related Fees		(301,991)
Net Cash Provided by Investing Activities		98,530
Net Decrease in Cash and Cash Equivalents		(11,224,054)
Cash and Cash Equivalents - July 1, 2021		49,636,021
Cash and Cash Equivalents - June 30, 2022	$	38,411,967

North Carolina Central University
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(181,892,825)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation/Amortization Expense		9,069,940
Allowances, Write-Offs, and Amortizations		190,667
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		2,614,272
Inventories		198,451
Notes Receivable, Net		60,755
Net Other Postemployment Benefits Asset		149,355
Deferred Outflows Related to Pensions		636,169
Deferred Outflows Related to Other Postemployment Benefits		(4,801,603)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		4,604,826
Funds Held for Others		(256,386)
Unearned Revenue		2,469,656
Net Pension Liability		(25,489,234)
Net Other Postemployment Benefits Liability		13,841,507
Compensated Absences		(591,626)
Workers' Compensation Liability		(196,877)
Deferred Inflows Under Service Concession Arrangements		(2,078,924)
Deferred Inflows Related to Pensions		19,878,555
Deferred Inflows Related to Other Postemployment Benefits		(23,009,151)
Net Cash Used by Operating Activities	$	(184,602,473)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Service Concession Arrangement	$	30,682,394
Change in Fair Value of Investments		790,096
Loss on Disposal of Capital Assets		(996,641)
Amortization of Bond Premiums		(878,392)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions		(806,531)

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

North Carolina Central University Foundation, Inc.
Statement of Financial Position
June 30, 2022

Exhibit B-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	13,515,287
Accounts Receivable, Net		2,159
Contributions Receivable, Net		2,102,540
Investments		1,523,487
Prepaid Expenses		8,213
Total Current Assets		17,151,686
Net Property and Equipment		146,779
Other Assets:		
Investments		17,770,669
Cash Surrender Value of Life Insurance		448,991
Contributions Receivable, Net		3,497,812
Funds Held on Behalf of Others		164,395
Beneficial Interest in Perpetual Trust		1,880,702
Total Other Assets		23,762,569
Total Assets	$	41,061,034
LIABILITIES		
Accounts Payable and Accrued Expenses	$	50,031
Due to University and Other Foundations		164,395
Total Liabilities		214,426
NET ASSETS		
Without Donor Restrictions		2,412,383
With Donor Restrictions		38,434,225
Total Net Assets		40,846,608
Total Liabilities and Net Assets	$	41,061,034

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

North Carolina Central University Foundation, Inc.
Statement of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2022 — *Exhibit B-2*

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 468,984	$ 10,854,963	$ 11,323,947
Contribution of Nonfinancial Assets		57,368	57,368
Investment Return, Net	(18,342)	(2,875,229)	(2,893,571)
Change in Value of Beneficial Interest in Perpetual Trust		(293,448)	(293,448)
Other Income	89,185	712,243	801,428
Net Assets Released from Restrictions	5,141,198	(5,141,198)	
Total Support and Revenue	5,681,025	3,314,699	8,995,724
EXPENSES			
Program Services:			
Scholarships and Grants	1,037,573		1,037,573
University Support	3,725,117		3,725,117
Management and General	1,084,478		1,084,478
Provision for Bad Debts	(32,510)	91,089	58,579
Total Expenses	5,814,658	91,089	5,905,747
Changes in Net Assets Before Net Asset Transfers	(133,633)	3,223,610	3,089,977
Transfers	(39,118)	39,118	
Change in Net Assets	(172,751)	3,262,728	3,089,977
NET ASSETS			
Net Assets at Beginning of Year	2,585,134	35,171,497	37,756,631
Net Assets at End of Year	$ 2,412,383	$ 38,434,225	$ 40,846,608

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. North Carolina Central University (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 Unit - Although legally separate, the NCCU Real Estate Foundation, Inc. (Real Estate Foundation), a component unit of the University, is reported as if it were part of the University.

The Real Estate Foundation is governed by a three-member board consisting of elected directors. The Real Estate Foundation's purpose is to acquire property and to construct and own residential facilities for students. Because the directors of the Real Estate Foundation are appointed by the Chancellor, and the Real Estate Foundation's sole purpose is to benefit North Carolina Central University, its financial statements have been blended with those of the University.

Separate financial statements for the Real Estate Foundation may be obtained from the University Comptroller's Office, 1801 Fayetteville Street, Durham, North Carolina 27707, or by calling 919-530-7432.

Condensed combining information regarding blended component units is provided in Note 18.

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

The NCCU 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 18 members. 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 NCCU 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 NCCU Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2022, the Foundation distributed $3,725,117 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Comptroller's Office, 1801 Fayetteville Street, Durham, North Carolina 27707, or by calling 919-530-7432.

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 Governmental Accounting Standards Board (GASB). Pursuant to the provisions of 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,* 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 financial statements.

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, money market accounts, 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.

Money market mutual funds are reported at 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.

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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at cost using the first-in, first-out 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. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the leased asset into service.

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. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of $5,000 or greater and an estimated useful life of more than one year.

Depreciation is computed using the straight-line over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	50-75 years
Machinery and Equipment	5-25 years
General Infrastructure	15-75 years

Amortization for right-to-use leased assets is computed using the straight-line method over the shorter of the lease term or the asset's estimated useful life, unless the lease contains a purchase option the University is reasonably certain will be exercised. In those instances, the right-to-use leased asset is amortized over the asset's estimated useful life.

The art collection is capitalized at cost, acquisition value, or fair value at the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

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.

There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be 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 and notes from direct borrowings. Other long-term liabilities include: leases payable, 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. 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 2021 *Annual Comprehensive 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 14 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 2021 *Annual Comprehensive 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 15 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 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 assets 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 assets 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:

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 11 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

O. **Scholarship Discounts -** Student tuition and fees 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, 2022, the amount shown on the Statement of Net Position as cash and cash equivalents includes $38,147,171, 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 0.9 years as of June 30, 2022. 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, 2022 was $2,400. The carrying amount of the University's deposits not with the State Treasurer was $262,396, and the bank balance was $61,821. 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, 2022, the University's bank balance was not exposed to custodial credit 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 Real Estate 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.

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.

UNC Investment Fund, LLC - At June 30, 2022, the University's investments include $46,920,633, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. 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.

Non-Pooled Investments - The following table presents investments by type and investments subject to interest rate risk at June 30, 2022, for the University's non-pooled investments.

Non-Pooled Investments

	Investment Maturities (in Years)	
	Amount	Less Than 1
Investment Type		
Debt Securities		
Money Market Mutual Funds	$ 71,583	$ 71,583
Other Securities		
Domestic Stocks	9,950,950	
Total Non-Pooled Investments	$ 10,022,533	

At June 30, 2022, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	Aaa
Money Market Mutual Funds	$ 71,583	$ 71,583

Rating Agency: Moody's

Total Investments - The following table presents the total investments at June 30, 2022:

	Amount
Investment Type	
Debt Securities	
Money Market Mutual Funds	$ 71,583
Other Securities	
UNC Investment Fund	46,920,633
Domestic Stocks	9,950,950
Total Investments	$ 56,943,166

Component Unit - Investments of the University's discretely presented component unit, the NCCU 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 NCCU 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:

		Amount
Investment Type		
Money Market Funds	$	1,556,497
Mutual Funds		4,561,453
Equity Securities		6,727,883
Debt Securities		2,827,891
U.S. Government Obligations		1,571,083
Commodities		2,049,349
Total Investments	$	19,294,156

NOTE 3 - FAIR VALUE MEASUREMENTS

University - To the extent available, the University's investments are recorded at fair value as of June 30, 2022. 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 investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2022:

	Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Other Securities				
Domestic Stocks	$ 9,950,950	$ 9,950,950	$ 0	$ 0
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	38,147,171			
UNC Investment Fund	46,920,633			
Total Investments as a Position in an External Investment Pool	85,067,804			
Total Investments Measured at Fair Value	$ 95,018,754			

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 Statement No. 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 - 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 Statement No. 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.

Domestic Stocks - Equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Component Unit - Because the NCCU Foundation reports under the FASB reporting model, the disclosure of fair value measurements differs from the GASB reporting model used by the University.

U.S. GAAP 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 (i.e. the exit price). The NCCU Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets recorded at fair value are categorized within the fair value hierarchy based on the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset.

The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1 – Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2 – Financial instruments are 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 valuations techniques.

In determining fair value, the NCCU Foundation uses various approaches within the 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:

Money Market Funds: Money market funds are in active markets and classified within Level 1 of the valuation hierarchy.

Equity Securities: Equity securities listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Debt Securities: Investment in debt securities includes corporate and foreign bonds that are either exchange-traded and/or valued at last sale price. If there is no sale and the market is considered active, the securities are valued at the mean of the last bid and asked prices on such exchange. These fixed income investments are classified within Level 2 of the valuation hierarchy.

U.S. Government Obligations: Investments in government and government agency obligations are either exchange-traded and/or valued at last sales prices. If there is no sale and the market is considered active, the securities are valued at the mean of the last bid and asked prices on such exchange. The fixed income investments are classified within Level 2 of the valuation hierarchy.

Mutual Funds and Commodities: Mutual funds and commodities listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

The following table summarizes the NCCU Foundation's investments within the fair value hierarchy at June 30, 2022:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Money Market Funds	$ 1,556,497	$ 1,556,497	$ 0	$ 0
Mutual Funds	4,561,453	4,561,453		
Equity Securities	6,727,883	6,727,883		
Debt Securities	2,827,891		2,827,891	
U.S. Government Obligations	1,571,083		1,571,083	
Commodities	2,049,349	2,049,349		
Total Investments Measured at Fair Value	$ 19,294,156	$ 14,895,182	$ 4,398,974	$ 0

NOTE 4 - ENDOWMENT INVESTMENTS

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 therefore the 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 determined by 5.5% of the 12-quarter moving average of the fund's market value. If current year earnings do not meet the payout requirement, the University uses accumulated income and appreciation to make up the difference. Expenditures in excess of the payout are authorized by the University's Board of Trustees of the Endowment Fund. At June 30, 2022, net appreciation of $40,985,960 was available to be spent, of which $35,189,984 was classified in net position as restricted expendable: scholarships and fellowships and endowed professorships, as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2022, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 11,542,003	$ 6,482,646	$ 5,059,357
Accounts	702,826		702,826
Intergovernmental	7,970,800		7,970,800
Interest on Loans	58,992		58,992
Total Current Receivables	$ 20,274,621	$ 6,482,646	$ 13,791,975
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 230,671	$ 89,021	$ 141,650
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 4,362,627	$ 3,913,819	$ 448,808

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2022, is presented as follows:

	Balance July 1, 2021 (as Restated)	Increases	Decreases	Balance June 30, 2022
Capital Assets, Nondepreciable:				
Land	$ 11,213,085	$ 322,542	$ 0	$ 11,535,627
Art, Literature, and Artifacts	864,840			864,840
Construction in Progress	54,603,246	24,169,316	49,672,845	29,099,717
Total Capital Assets, Nondepreciable	66,681,171	24,491,858	49,672,845	41,500,184
Capital Assets, Depreciable:				
Buildings	396,110,293	81,302,042		477,412,335
Machinery and Equipment	50,072,249	2,231,615	4,194,694	48,109,170
General Infrastructure	22,319,281	1,392,320	270,082	23,441,519
Right-to-Use Leased Buildings	179,961			179,961
Right-to-Use Leased Machinery and Equipment	932,439			932,439
Total Capital Assets, Depreciable	469,614,223	84,925,977	4,464,776	550,075,424
Less Accumulated Depreciation/Amortization for:				
Buildings	123,073,781	7,165,256		130,239,037
Machinery and Equipment	27,024,361	1,125,678	3,198,053	24,951,986
General Infrastructure	17,513,126	423,567	270,082	17,666,611
Right-to-Use Leased Buildings		24,540		24,540
Right-to-Use Leased Machinery and Equipment		330,899		330,899
Total Accumulated Depreciation/Amortization	167,611,268	9,069,940	3,468,135	173,213,073
Total Capital Assets, Depreciable, Net	302,002,955	75,856,037	996,641	376,862,351
Capital Assets, Net	$ 368,684,126	$ 100,347,895	$ 50,669,486	$ 418,362,535

At year-end, the total amount of leased assets was $1,112,400 and the related accumulated amortization was $355,439.

NOTE 7 - SERVICE CONCESSION ARRANGEMENT FOR STUDENT HOUSING FACILITIES

The University entered into an agreement on June 20, 2019 with Provident Group – NCCU Properties LLC (Provident) and Corvias Management, LLC (Corvias) to initiate a private-public partnership to design, construct, and operate three student housing facilities. Provident will bear the responsibility for the design, development, permitting, construction, equipping, furnishing, financing, and operation of the construction project. The University entered into this agreement to address the shortage of student housing caused by recent enrollment growth as well as the need to renovate and replace aging facilities.

The project, with an estimated cost of $102.5 million, is located on the campus of the University on land leased to Provident for 50 years. Upon final payment of all indebtedness owed under the agreement, Provident will transfer all of its interest in the facility for no cost to the University. The University will be responsible for assigning beds to students, collecting student rents, and remitting the student rents to Corvias for the term of the management agreement. The three student housing facilities, in the aggregate, will provide 1,270 student housing beds.

The project was developed in two phases over a two-year period. Phase I of the project was the construction and furnishing of two student housing facilities, George Street Residential Complex and Alston Avenue Apartments, that was completed and suitable for occupancy in the fall of 2020. Phase II consisted of constructing and furnishing the last of the student housing facilities, Lawson Street, and was completed and suitable for occupancy in the fall of 2021.

The University reports the facilities as capital assets with a carrying amount of $97,721,171 at year-end and a related deferred inflow of resources of $94,425,971. The net effect of this arrangement is reflected in the Statement of Net Position as an increase to net investment in capital assets of $3,295,200.

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2022, were as follows:

	Amount
Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 6,081,745
Accounts Payable - Capital Assets	2,315,894
Accrued Payroll	2,649,093
Contract Retainage	1,024,744
Intergovernmental Payables	108,502
Total Accounts Payable and Accrued Liabilities	$ 12,179,978

NOTE 9 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2022, is presented as follows:

	Balance July 1, 2021 (as Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 102,658,200	$ 0	$ 4,050,000	$ 98,608,200	$ 4,260,000
Plus: Unamortized Premium	9,875,715		878,392	8,997,323	
Total Revenue Bonds Payable, Net	112,533,915		4,928,392	107,605,523	4,260,000
Notes from Direct Borrowings	5,169,670		1,449,367	3,720,303	1,398,602
Total Long-Term Debt	117,703,585		6,377,759	111,325,826	5,658,602
Other Long-Term Liabilities					
Leases Payable	1,112,400		352,621	759,779	284,816
Employee Benefits					
Compensated Absences	7,589,554	4,922,863	5,514,488	6,997,929	1,679,160
Net Pension Liability	41,244,313		25,489,234	15,755,079	
Net Other Postemployment Benefits Liability	120,303,852	13,034,976		133,338,828	
Workers' Compensation	2,694,086	159,957	356,834	2,497,209	394,773
Total Other Long-Term Liabilities	172,944,205	18,117,796	31,713,177	159,348,824	2,358,749
Total Long-Term Liabilities, Net	$ 290,647,790	$ 18,117,796	$ 38,090,936	$ 270,674,650	$ 8,017,351

Additional information regarding leases payable is included in Note 10.
Additional information regarding the net pension liability is included in Note 14.
Additional information regarding the net other postemployment benefits liability is included in Note 15.
Additional information regarding workers' compensation is included in Note 16.

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, 2022
General Revenue Bonds Payable					
Student Union Revenue Bond	2019	4.0% to 5.0%	04/01/2049	$ 42,045,000	$ 39,945,000
Refunded Bonds, Deferred Maintenance, and Infrastructure Improvements	2016	3.0% to 5.0%	10/01/2034	55,940,000	46,550,000
Total General Revenue Bonds				97,985,000	86,495,000
NCCU Real Estate Foundation, Inc.					
Refunded Suntrust Real Estate Foundation Housing System	2019	2.70%	10/01/2033	14,955,000	12,113,200
Total Revenue Bonds Payable (principal only)				$112,940,000	$ 98,608,200
Plus: Unamortized Premium					8,997,323
Total Revenue Bonds Payable, Net					$ 107,605,523

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, 2022
Energy Performance Contract	Fifth Third Bank	4.81%	12/09/2026	$ 6,532,959	$ 2,827,235
2014 Refund Note 2004B Bonds	PNC Bank National Association	2.06%	04/01/2023	4,987,000	607,000
UNC ESCO Energy Project	Bank of America Public Capital Corp.	1.84%	02/14/2023	2,082,589	251,067
Freightliner Passenger Vans	Wells Fargo	4.03%	01/23/2023	304,043	35,001
Total Notes from Direct Borrowings				$ 13,906,591	$ 3,720,303

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2022, are as follows:

	Annual Requirements			
	Revenue Bonds Payable		Notes from Direct Borrowings	
Fiscal Year	Principal	Interest	Principal	Interest
2023	$ 4,260,000	$ 3,960,666	$ 1,398,602	$ 150,810
2024	4,470,000	3,760,771	534,288	111,674
2025	4,710,000	3,527,846	564,223	85,975
2026	4,945,000	3,305,681	595,381	58,835
2027	5,210,000	3,072,166	627,809	30,198
2028-2032	29,230,000	11,912,949		
2033-2037	21,783,200	7,012,342		
2038-2042	8,430,000	4,584,300		
2043-2047	10,660,000	2,358,800		
2048-2049	4,910,000	296,600		
Total Requirements	$98,608,200	$43,792,121	$ 3,720,303	$ 437,492

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 outstanding revenue bonds contain provisions that on the occurrence and continuance of an event of default, the Trustee may, or if required by a majority of the owners of the bonds, must declare the bonds to be immediately due and payable (except if matured installments are paid before any judgement or decree is obtained). Events of default are defined as: (1) failure to make any payment when due or (2) failure to perform any covenant, condition, agreement, or provision (other than failure to pay) which failure continues for a period of 30 days after written notice specifying such failure and requesting that it be remedied.

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 Agreements in relation to the outstanding notes from direct borrowings of $3,078,302. These agreements also contain 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 an outstanding note from direct borrowing of $607,000 from the refinancing of 2004B bonds that financed the costs of construction, renovation, and equipping of multiple residence halls. This agreement 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 in full any payments of principal or interest due to the lender; (2) the University fails to pay any payment of principal or interest due on any other debt obligations payable; or (3) 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 correction 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 an outstanding note from direct borrowing of $35,001 from the refinancing of the freightliner passenger vans. This agreement 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 in full any payments of principal or interest due to the lender; (2) the University fails to pay any payment of principal or interest due on any other debt obligations payable; or (3) 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 correction 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.

F. 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, 2022, the outstanding balance of prior year defeased bonds was $41,660,000.

NOTE 10 - LEASES

The University's leasing arrangements at June 30, 2022 are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liability June 30, 2022	Current Portion	Lease Terms	Interest Rate/ Ranges
Lessee:					
Right-to-Use Buildings	1	$ 155,752	$ 24,209	7 years	0.51%
Right-to-Use Machinery and Equipment	2	604,027	260,607	2 - 4 years	0.51 - 0.89%
Total	3	$ 759,779	$ 284,816		

During the year the University did not recognize any variable payment amounts.

Future principal and interest lease payments as of June 30, 2022 were as follows:

Fiscal Year	Principal	Interest	Total
2023	$ 284,816	$ 4,766	$ 289,582
2024	188,449	3,015	191,464
2025	190,046	1,418	191,464
2026	38,495	377	38,872
2027	24,760	240	25,000
2028-2029	33,213	121	33,334
Total	$ 759,779	$ 9,937	$ 769,716

NOTE 11 - 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:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (18,513,901)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(156,707,707)
Effect on Unrestricted Net Position	(175,221,608)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	8,040,157
Total Unrestricted Net Position	**$ (167,181,451)**

See Notes 14 and 15 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 12 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 64,486,154	$ 24,806,848	$ 136,156	$ 39,543,150
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	$ 10,604,660	$ 5,260,553	$ 0	$ 5,344,107
Dining	16,397,346	5,000,280		11,397,066
Student Union Services	1,321,808	482,759		839,049
Health, Physical Education, and Recreation Services	630,654	230,893		399,761
Bookstore	501,258			501,258
Parking	1,117,585	11,600		1,105,985
Athletic	2,210,576	541,381		1,669,195
Other	3,410,805	967,710		2,443,095
Sales and Services of Education and Related Activities	41,668			41,668
Total Sales and Services, Net	$ 36,236,360	$ 12,495,176	$ 0	$ 23,741,184

NOTE 13 - 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	$ 65,882,506	$ 7,567,923	$ 294,112	$ 0	$ 0	$ 73,744,541
Research	6,882,227	7,701,871	20,218			14,604,316
Public Service	576,993	260,783				837,776
Academic Support	16,567,686	5,824,527	425			22,392,638
Student Services	3,885,286	1,612,952	34,161			5,532,399
Institutional Support	(3,852,712)	17,629,214	19,298,679			33,075,181
Operations and Maintenance of Plant	10,897,018	25,412,936		4,750,044		41,059,998
Student Financial Aid	1,072,347	97,043	22,774,765			23,944,155
Auxiliary Enterprises	13,733,279	26,641,808	520,240	313,425		41,208,752
Independent Operations	20,305	19,042				39,347
Depreciation/Amortization					9,069,940	9,069,940
Total Operating Expenses	$115,664,935	$ 92,768,099	$ 42,942,600	$5,063,469	$ 9,069,940	$265,509,043

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 $13,163,942 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 12.

NOTE 14 - 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. Plan members 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 and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2022 was 16.38% of covered payroll. Plan members' contributions to the pension plan were $3,661,142, and the University's contributions were $9,994,919 for the year ended June 30, 2022.

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 2021 *Annual Comprehensive 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 are 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, the 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 2021 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2022, the University reported a liability of $15,755,079 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 0.336%, which was a decrease of 0.005 from its proportion measured as of June 30, 2020, which was 0.341%.

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	12/31/2020
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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, 2021 (the measurement 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 as part of a study conducted in 2016, 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, 2021 is 1.3%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2020 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, 2021 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$ 52,848,472	$ 15,755,079	$ (15,078,828)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2022, the University recognized pension expense of $4,482,487. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS 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	$ 885,613	$ 357,815
Changes of Assumptions	5,909,900	
Net Difference Between Projected and Actual Earnings on Plan Investments		19,520,740
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	329,301	
Contributions Subsequent to the Measurement Date	9,994,919	
Total	$ 17,119,733	$ 19,878,555

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS 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

Year Ending June 30:	Amount
2023	$ (1,755,767)
2024	(2,257,694)
2025	(2,753,346)
2026	(5,986,934)
Total	$ (12,753,741)

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 the ORP instead of TSERS. The ORP is administered by the UNC System.

Benefits are provided by means of contracts issued and administered by the privately-operated Teachers' Insurance and Annuity Association and Fidelity Investments. Participants' eligibility and contributory requirements are established in General Statute 135-5.1 and may be amended only by the North Carolina General Assembly. Participants are always fully vested in their own contributions to the plan and their investment earnings. Participants are fully vested in the University's contributions and earnings after five years of participating in the ORP.

Participants contribute 6% of compensation and the University contributes 6.84%. For the current fiscal year, the University had a total payroll of $102,084,250, of which $28,279,688 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $1,696,781 and $1,934,331, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions.

NOTE 15 - 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 2021 *Annual Comprehensive 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 other postemployment benefits (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 2021 *Annual Comprehensive 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 by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. 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 16. The plan options change when former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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 University Employees' 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. 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 five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

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.

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, 2022 was 6.29% of covered payroll. The University's contributions to the RHBF were $5,616,890 for the year ended June 30, 2022.

In fiscal year 2021, the State Health Plan (the Plan) transferred $187.0 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2022, the University recognized noncapital contributions for RHBF of $806,531.

2. Disability Income

Plan Administration: As discussed in Note 16, 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 and LEAs which are not part of the reporting entity, and the University Employees' 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 University Employees' 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 University Employees' 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, 2022 was 0.09% of covered payroll. The University's contributions to DIPNC were $80,369 for the year ended June 30, 2022.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2022, the University reported a liability of $133,338,828 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 0.431%, which was a decrease of 0.003 from its proportion measured as of June 30, 2020, which was 0.434%.

Net OPEB Asset: At June 30, 2022, the University reported an asset of $70,547 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The University's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 0.432%, which was a decrease of 0.015 from its proportion measured as of June 30, 2020, which was 0.447%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2020, 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, 2021 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2020	12/31/2020
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.00%
Healthcare Cost Trend Rate - Medical	6% grading down to 5% by 2026	6% grading down to 5% by 2026
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2030	9.5% grading down to 5% by 2030
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return is net of OPEB 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 or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan 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 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. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2021 (the measurement 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 as part of a study conducted in 2016, 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, 2021 is 1.3%.

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. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. 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 have been 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, 2020 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, 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 2.16% at June 30, 2021 compared to 2.21% at June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from employers would 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 to current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would 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 to 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)

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
RHBF	$ 158,604,748	$ 133,338,828	$ 112,876,502

	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	$ (44,542)	$ (70,547)	$ (94,603)

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%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	$ 107,982,067	$ 133,338,828	$ 166,977,200

	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	$ (74,252)	$ (70,547)	$ (65,930)

OPEB Expense: For the fiscal year ended June 30, 2022, the University recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	$ (8,524,828)
DIPNC	164,397
Total OPEB Expense	$ (8,360,431)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2022, 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:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 787,213	$ 179,873	$ 967,086
Changes of Assumptions	10,910,608	12,387	10,922,995
Net Difference Between Projected and Actual Earnings on Plan Investments		6,884	6,884
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,783,594	46,018	1,829,612
Contributions Subsequent to the Measurement Date	5,616,890	80,369	5,697,259
Total	$ 19,098,305	$ 325,531	$ 19,423,836

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 2,482,056	$ 0	$ 2,482,056
Changes of Assumptions	32,404,233	25,612	32,429,845
Net Difference Between Projected and Actual Earnings on Plan Investments	68,208		68,208
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	7,512,687		7,512,687
Total	$ 42,467,184	$ 25,612	$ 42,492,796

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as 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
2023	$ (19,360,115)	$ 55,433
2024	(5,724,751)	40,740
2025	(2,162,727)	50,093
2026	(3,208,683)	25,928
2027	1,470,507	13,498
Thereafter		33,858
Total	$ (28,985,769)	$ 219,550

NOTE 16 - 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 15, 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 15, 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.

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. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a $5,000 per occurrence deductible. The University maintains Broad Form Coverage on all University buildings, including those not supported by the General Fund. Board Form covers loss from fire and lightning as well as falling objects, weight of snow, ice or sleet, water damage, collapse, and glass breakage. All buildings have a $5,000 deductible.

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 $2,000,000 per claim and $10,000,000 in the aggregate per fiscal year via contract with private insurance companies. 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 purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. These types of insurance include master musical insurance to cover musical instruments owned by the University; fine art insurance to protect items considered works of art; boiler and machinery insurance to cover heavy equipment; and postal bond insurances to cover possible losses of United States Postal Service property.

The University also carries professional internship insurance on students working in health fields. Departments that secure this coverage include Nursing, Psychology, Communication Disorders, Physical Education and Recreation, Athletic Training and Social Work. Medical liability insurance is carried on employees of the University who are accredited medical professionals and who practice in a clinical setting on campus.

NOTE 17 - 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 $28,897,637 at June 30, 2022.

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 18 - BLENDED COMPONENT UNIT

Condensed combining information for the University's blended component unit for the year ended June 30, 2022, is presented as follows:

Condensed Statement of Net Position
June 30, 2022

	University	NCCU Real Estate Foundation	Eliminations	Total
ASSETS				
Current Assets	$ 52,095,472	$ 6,894,238	$ (4,423,046)	$ 54,566,664
Capital Assets, Net	406,288,399	12,074,136		418,362,535
Other Noncurrent Assets	56,020,009			56,020,009
Total Assets	514,403,880	18,968,374	(4,423,046)	528,949,208
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,543,569			36,543,569
LIABILITIES				
Current Liabilities	30,198,323	833,094		31,031,417
Long-Term Liabilities, Net	251,284,099	11,373,200		262,657,299
Other Noncurrent Liabilities	2,879,574	4,423,046	(4,423,046)	2,879,574
Total Liabilities	284,361,996	16,629,340	(4,423,046)	296,568,290
TOTAL DEFERRED INFLOWS OF RESOURCES	156,797,322			156,797,322
NET POSITION				
Net Investment in Capital Assets	222,593,637	(39,064)		222,554,573
Restricted - Nonexpendable	16,129,634			16,129,634
Restricted - Expendable	40,624,409			40,624,409
Unrestricted	(169,559,549)	2,378,098		(167,181,451)
Total Net Position	$ 109,788,131	$ 2,339,034	$ 0	$ 112,127,165

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	University	NCCU Real Estate Foundation	Eliminations	Total
OPERATING REVENUES				
Operating Revenues, Net	$ 83,616,218	$ 2,428,378	$ (2,428,378)	$ 83,616,218
OPERATING EXPENSES				
Operating Expenses	257,385,513	1,481,968	(2,428,378)	256,439,103
Depreciation/Amortization	8,736,934	333,006		9,069,940
Total Operating Expenses	266,122,447	1,814,974	(2,428,378)	265,509,043
Operating Income (Loss)	(182,506,229)	613,404		(181,892,825)
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	90,650,121			90,650,121
State Aid - Coronavirus	1,765,347			1,765,347
Student Financial Aid	20,851,949			20,851,949
Federal Aid - COVID-19	61,395,199			61,395,199
Noncapital Contributions	11,655,593			11,655,593
Investment Income, Net	1,189,762	855		1,190,617
Interest and Fees on Debt	(3,321,371)	(320,564)		(3,641,935)
Other Nonoperating Revenues	1,443,607			1,443,607
Net Nonoperating Revenues (Expenses)	185,630,207	(319,709)		185,310,498
Capital Appropriations	11,058,488			11,058,488
Capital Contributions	12,352,933			12,352,933
Total Other Revenues	23,411,421			23,411,421
Increase in Net Position	26,535,399	293,695		26,829,094
NET POSITION				
Net Position, July 1, 2021 (as Restated)	83,252,732	2,045,339		85,298,071
Net Position, June 30, 2022	$ 109,788,131	$ 2,339,034	$ 0	$ 112,127,165

Condensed Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

	University	NCCU Real Estate Foundation	Total
Net Cash Provided (Used) by Operating Activities	$ (186,095,679)	$ 1,493,206	$ (184,602,473)
Total Cash Provided by Noncapital Financing Activities	188,707,108	855	188,707,963
Net Cash Used by Capital Financing and Related Financing Activities	(13,218,187)	(2,209,887)	(15,428,074)
Net Cash Provided by Investing Activities	98,530		98,530
Net Decrease in Cash and Cash Equivalents	(10,508,228)	(715,826)	(11,224,054)
Cash and Cash Equivalents, July 1, 2021	42,025,957	7,610,064	49,636,021
Cash and Cash Equivalents, June 30, 2022	$ 31,517,729	$ 6,894,238	$ 38,411,967

NOTE 19 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2022, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, Leases

GASB Statement No. 99, Omnibus 2022

GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

NOTE 20 - NET POSITION RESTATEMENTS

As of July 1, 2021, net position as previously reported was restated as follows:

		Amount
July 1, 2021 Net Position as Previously Reported	$	86,207,259
Restatement:		
To Correct Capital Asset Errors from Prior Years		1,164,338
To Correct Deferred Revenue and Accumulated Depreciation of the Real Estate Foundation		(3,898,886)
To Correct Errors in Payables from Prior Years		1,825,360
July 1, 2021 Net Position as Restated	$	85,298,071

As of July 1, 2021, the University implemented GASB Statement No. 87, *Leases*. Net position was not restated due to the implementation; however, assets and liabilities were restated as a result of the implementation. See Note 6 and Note 9 for details on the restated balances related to capital assets and lease liabilities, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

North Carolina Central University
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Nine Fiscal Years* ***Exhibit C-1***

Teachers' and State Employees' Retirement System	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net Pension Liability	0.336%	0.341%	0.346%	0.350%	0.355%
Proportionate Share of TSERS Collective Net Pension Liability	$ 15,755,079	$ 41,244,313	$ 35,911,139	$ 34,800,513	$ 28,184,721
Covered Payroll	$ 61,718,304	$ 63,161,882	$ 56,817,718	$ 54,887,002	$ 53,664,238
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	25.53%	65.30%	63.20%	63.40%	52.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.86%	85.98%	87.56%	87.61%	89.51%

	2017	**2016**	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.361%	0.363%	0.391%	0.394%
Proportionate Share of TSERS Collective Net Pension Liability	$ 33,219,151	$ 13,381,322	$ 4,589,911	$ 23,919,815
Covered Payroll	$ 52,900,534	$ 48,803,246	$ 54,290,369	$ 55,276,382
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	62.80%	27.42%	8.45%	43.27%
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.

North Carolina Central University
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years — *Exhibit C-2*

Teachers' and State Employees' Retirement System	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually Required Contribution	$ 9,994,919	$ 9,121,965	$ 8,192,096	$ 6,982,898	$ 5,916,819
Contributions in Relation to the Contractually Determined Contribution	9,994,919	9,121,965	8,192,096	6,982,898	5,916,819
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 61,019,040	$ 61,718,304	$ 63,161,882	$ 56,817,718	$ 54,887,002
Contributions as a Percentage of Covered Payroll	16.38%	14.78%	12.97%	12.29%	10.78%

	2017	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 5,355,691	$ 4,840,399	$ 4,465,497	$ 4,717,833	$ 4,604,523
Contributions in Relation to the Contractually Determined Contribution	5,355,691	4,840,399	4,465,497	4,717,833	4,604,523
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 53,664,238	$ 52,900,534	$ 48,803,246	$ 54,290,369	$ 55,276,382
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

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

North Carolina Central University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2022

Changes of Benefit Terms:

	Cost of Living Increase									
Teachers' and State Employees'	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Retirement System	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLA's) in the period of the legislative session of Board of Trustees meeting when it was passed. The COLA is effective July 1 of that period and the fiscal year end liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017 and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016 received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

Methods 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 18 months following the date of the valuation results. 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 2020, 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, 2015, and December 31, 2019. 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 improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2021 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

North Carolina Central University
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans ***Exhibit C-3***
Last Six Fiscal Years*

Retiree Health Benefit Fund	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net OPEB Liability	0.431%	0.434%	0.445%	0.449%	0.438%
Proportionate Share of Collective Net OPEB Liability	$ 133,338,828	$ 120,303,852	$ 140,777,132	$ 127,899,991	$ 143,564,788
Covered Payroll	$ 89,991,708	$ 90,604,741	$ 84,846,454	$ 81,516,349	$ 79,897,368
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	148.17%	132.78%	165.92%	156.90%	179.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.72%	6.92%	4.40%	4.40%	3.52%

	2017
Proportionate Share Percentage of Collective Net OPEB Liability	0.492%
Proportionate Share of Collective Net OPEB Liability	$ 214,062,825
Covered Payroll	$ 78,205,625
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	273.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.41%

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

Disability Income Plan of North Carolina	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net OPEB Asset	0.432%	0.447%	0.453%	0.459%	0.471%
Proportionate Share of Collective Net OPEB Asset	$ 70,547	$ 219,902	$ 195,577	$ 139,301	$ 287,674
Covered Payroll	$ 89,991,708	$ 90,604,741	$ 84,846,454	$ 81,516,349	$ 79,897,368
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.08%	0.24%	0.23%	0.17%	0.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.18%	115.57%	113.00%	108.47%	116.23%

	2017
Proportionate Share Percentage of Collective Net OPEB Asset	0.465%
Proportionate Share of Collective Net OPEB Asset	$ 288,461
Covered Payroll	$ 78,205,625
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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.

North Carolina Central University
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Last Ten Fiscal Years

Retiree Health Benefit Fund	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 5,616,890	$ 6,011,446	$ 5,862,127	$ 5,319,873	$ 4,931,739
Contributions in Relation to the Contractually Determined Contribution	5,616,890	6,011,446	5,862,127	5,319,873	4,931,739
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 89,298,728	$ 89,991,708	$ 90,604,741	$ 84,846,454	$ 81,516,349
Contributions as a Percentage of Covered Payroll	6.29%	6.68%	6.47%	6.27%	6.05%

	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 4,642,037	$ 4,379,515	$ 4,034,776	$ 4,212,332	$ 4,163,223
Contributions in Relation to the Contractually Determined Contribution	4,642,037	4,379,515	4,034,776	4,212,332	4,163,223
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 79,897,368	$ 78,205,625	$ 73,493,188	$ 78,006,148	$ 78,551,364
Contributions as a Percentage of Covered Payroll	5.81%	5.60%	5.49%	5.40%	5.30%

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

Disability Income Plan of North Carolina	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually Required Contribution	$ 80,369	$ 80,993	$ 90,605	$ 118,785	$ 114,123
Contributions in Relation to the Contractually Determined Contribution	80,369	80,993	90,605	118,785	114,123
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 89,298,728	$ 89,991,708	$ 90,604,741	$ 84,846,454	$ 81,516,349
Contributions as a Percentage of Covered Payroll	0.09%	0.09%	0.10%	0.14%	0.14%

	2017	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 303,610	$ 320,643	$ 301,322	$ 342,227	$ 345,626
Contributions in Relation to the Contractually Determined Contribution	303,610	320,643	301,322	342,227	345,626
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 79,897,368	$ 78,205,625	$ 73,493,188	$ 78,006,148	$ 78,551,364
Contributions as a Percentage of Covered Payroll	0.38%	0.41%	0.41%	0.44%	0.44%

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

North Carolina Central University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2022

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-pocket 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-pocket 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.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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 preceding 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 15 for more information on the specific assumptions for each plan. The actuarially determined contributions 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 2020, 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, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Committee on Actuarial Valuation of Retired Employees' Health Benefits 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 mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBF was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. In 2020, 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 claims 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 to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the 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 in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2021 *Annual Comprehensive Financial Report*.

INDEPENDENT AUDITOR'S REPORT

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Office of the 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
North Carolina Central University
Durham, 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 North Carolina Central University (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, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 10, 2023. Our report includes a reference to other auditors who audited the financial statements of the NCCU Real Estate Foundation, Inc. and the NCCU Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the NCCU Real Estate Foundation, Inc. and the NCCU Foundation, 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.

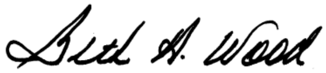
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in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

January 10, 2023

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This audit required 880 hours at an approximate cost of $105,600.