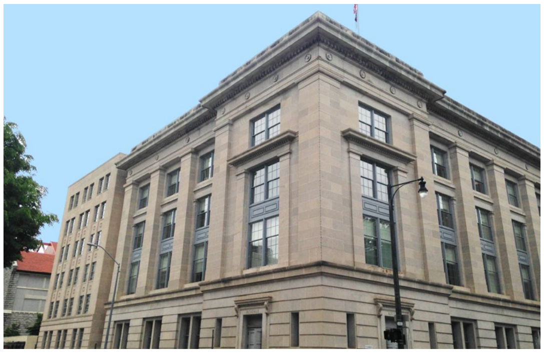
State of North Carolina

Office of The State Auditor

Beth A. Wood, CPA



North Carolina Agricultural and Technical State University

Greensboro, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2023

A Constituent Institution of the University of North Carolina System and a Component Unit of the State of North Carolina

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NCOSA Office of the State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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Raleigh, NC 27699
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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, North Carolina Agricultural and Technical State University

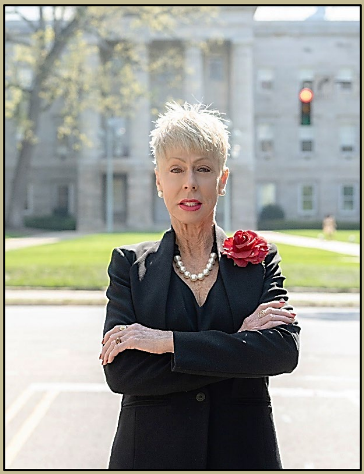
We have completed a financial statement audit of North Carolina Agricultural and Technical State University for the year ended June 30, 2023, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented 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

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
North Carolina Agricultural and Technical State University
Greensboro, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of North Carolina Agricultural and Technical State 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, 2023, 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 report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of North Carolina Agricultural and Technical State University, and its discretely presented component unit, as of June 30, 2023, 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 consolidated financial statements of The North Carolina A&T Real Estate Foundation, Inc., the University's discretely presented component unit. Those consolidated financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for The North Carolina A&T Real Estate Foundation, Inc., are based solely on the report 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 Agricultural and Technical State 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 December 12, 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

December 12, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

North Carolina Agricultural and Technical State University (University) provides the following discussion and analysis in order to give the reader a summary of its financial activities and to aid in understanding the financial statements for the fiscal year ended June 30, 2023. Comparative data for the year ended June 30, 2022 is also included. All information provided has been prepared by University staff for the purpose of identifying significant transactions, trends and events that have had an impact on the fiscal well-being of the University and may continue to exert influence in future years. To properly use and interpret the information provided in this discussion and analysis, it is recommended that it be read in conjunction with the related financial statements and the accompanying notes to the financial statements for further explanation and details.

The Financial Statements

The financial statements for the University include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Each statement has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and reflects an economic resource measurement focus and the accrual basis of accounting. This discussion and analysis will concentrate on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position using condensed versions. The full-length versions of each of the financial statements are presented as exhibits immediately following this discussion and analysis.

In addition to the University's financial statements and accompanying notes, information for a component unit is presented. The Consolidated Statement of Financial Position, Consolidated Statement of Activities, and certain notes for The North Carolina A&T Real Estate Foundation, Inc. (Foundation) are discretely presented alongside the University's financial statements; however, the Foundation 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.

Statement of Net Position

The Statement of Net Position presented below summarizes the financial fitness of the University as of June 30, 2023. It presents the financial position of the University as defined by the balances of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets and liabilities are classified as current or noncurrent. Current assets and liabilities include those resources and obligations that are available for use in meeting current operating requirements. Noncurrent assets and liabilities include those resources and obligations that are held to meet future operating requirements.

Condensed Statement of Net Position

	2023	2022	Dollar Change	Percent Change
Assets				
Current Assets	$ 222,480,773.78	$ 202,452,522.63	$ 20,028,251.15	9.89%
Noncurrent Capital Assets, Net of Acc. Depreciation/Amortization	487,667,582.05	478,594,491.32	9,073,090.73	1.90%
Other Noncurrent Assets	185,675,904.00	175,249,835.40	10,426,068.60	5.95%
Total Assets	**895,824,259.83**	**856,296,849.35**	**39,527,410.48**	4.62%
Deferred Outflows of Resources				
Deferred Charges on Refunding	601,639.12	648,677.08	(47,037.96)	-7.25%
Deferred Outflows for Pensions	38,556,062.68	21,656,190.73	16,899,871.95	78.04%
Deferred Outflows for OPEB	33,206,970.58	39,624,639.51	(6,417,668.93)	-16.20%
Total Deferred Outflows of Resources	**72,364,672.38**	**61,929,507.32**	**10,435,165.06**	16.85%
Liabilities				
Current Liabilities	19,836,252.11	17,968,534.76	1,867,717.35	10.39%
Long-Term Liabilities, Net	304,780,139.28	315,094,075.56	(10,313,936.28)	-3.27%
Other Noncurrent Liabilities	500,268.94	416,126.08	84,142.86	20.22%
Total Liabilities	**325,116,660.33**	**333,478,736.40**	**(8,362,076.07)**	-2.51%
Deferred Inflows of Resources				
Deferred Inflows for Endowments	30,000.00	50,029.01	(20,029.01)	-40.03%
Deferred Inflows for Pensions	1,831,782.00	25,361,907.00	(23,530,125.00)	-92.78%
Deferred Inflows for OPEB	70,018,562.00	54,931,213.00	15,087,349.00	27.47%
Total Deferred Inflows of Resources	**71,880,344.00**	**80,343,149.01**	**(8,462,805.01)**	-10.53%
Net Position				
Net Investment in Capital Assets	389,012,498.43	379,163,612.19	9,848,886.24	2.60%
Restricted-Nonexpendable	76,824,710.69	69,262,796.38	7,561,914.31	10.92%
Restricted-Expendable	97,841,352.87	80,152,077.72	17,689,275.15	22.07%
Unrestricted	7,513,365.89	(24,174,015.03)	31,687,380.92	-131.08%
Total Net Position	**$ 571,191,927.88**	**$ 504,404,471.26**	**$ 66,787,456.62**	13.24%

Current assets increased $20.0 million over the prior year. The major components of the change in current assets were an increase in receivables of $23.0 million, offset by a decrease in cash of $3.3 million. Increased contracts and grants revenues and related receivables to reimburse large, year-end expenditures represented the majority of the increase, while the number and amount of pledges receivable also increased over the prior year. The decrease in cash was caused primarily by a decrease in unspent state funds carried over to the next fiscal year.

Capital assets (net) increased by $9.1 million. This was due to a $3.8 million increase in construction in progress, $4.9 million in building additions, and $17.1 million in machinery and equipment acquisitions, offset by $18.7 million in current year depreciation and amortization. See the Capital Assets section below for additional information.

Other noncurrent assets increased by $10.4 million due primarily to a $12.8 million increase in endowment investments and a $4.1 million increase in pledges receivable, offset by a $6.5 million decrease in noncurrent restricted cash. The increase in endowment investments was primarily due to the current year investment purchases of $13.6 million offset by changes in the fair value of investments. The increase in pledges receivable was primarily due to receiving $2.7 million in pledged gifts related to the Black Male and Leadership Cohort Initiatives during the year. The decrease in noncurrent restricted cash was due primarily to investing the additions to endowments that were received in prior year.

Deferred outflows for pensions and other postemployment benefits (OPEB) increased by a net of $10.5 million due to changes in actuarial valuations of the State's pension and OPEB plans.

Long-term liabilities (net) decreased by $10.3 million. The net pension and OPEB liabilities had a net decrease of $8.3 million as a result of changes in actuarial valuations of the plans. Long-term debt also decreased by $3.3 million due to scheduled payments.

Deferred inflows of resources related to pensions and OPEB decreased by a net of $8.4 million due to changes in actuarial valuations of the State's pension and OPEB plans.

Net position at year-end was $571.2 million, an increase of $66.8 million over the prior year. The increase was composed of the following:

- Net investment in capital assets increased $9.8 million primarily due to capital activity discussed below and decreases in related debt due to scheduled principal payments.
- Restricted nonexpendable net position increased $7.6 million due primarily to restricted endowment gifts received of $8.1 million.
- Restricted expendable net position increased by $17.7 million. Expendable net position restricted for capital projects increased by $5.2 million due to an increase in resources held for capital improvement expenditures. Other restricted expendable net position increased by $12.5 million primarily due to an increase in restricted pledges and other receivables due from contracts and grants.
- Unrestricted net position increased by $31.7 million. Strong performance in auxiliary revenues contributed to the increase, but the primary cause was a $27.6 million increase in balances associated with the State's pension and OPEB plans due to changes in actuarial valuations. See Notes 13 and 14 for more information regarding pension and OPEB plans, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reports the activity of the University during the year and is divided into four major components: operating revenues; operating expenses; nonoperating revenues (expenses); and other revenues. Revenues are reported by major source and expenses are reported by natural classification. Intra-departmental sales, services, and transfers are eliminated, and depreciation/amortization of capital assets is recorded.

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

	2023	2022	Dollar Change	Percent Change
Operating Revenues				
Student Tuition and Fees, Net	$ 91,329,847.97	$ 82,022,631.35	$ 9,307,216.62	11.35%
Grants and Contracts	41,442,045.06	32,414,633.95	9,027,411.11	27.85%
Federal Appropriations	9,045,108.70	9,084,397.31	(39,288.61)	-0.43%
Sales and Services, Net	32,828,616.84	29,535,567.10	3,293,049.74	11.15%
Other Operating Revenues	3,342,002.07	6,172,694.20	(2,830,692.13)	-45.86%
Total Operating Revenues	**177,987,620.64**	**159,229,923.91**	**18,757,696.73**	11.78%
Operating Expenses				
Salaries and Benefits	182,351,818.00	177,051,608.52	5,300,209.48	2.99%
Supplies and Services	135,549,673.66	96,517,761.16	39,031,912.50	40.44%
Scholarships and Fellowships	46,317,587.08	43,929,545.08	2,388,042.00	5.44%
Utilities	8,211,890.85	7,325,719.42	886,171.43	12.10%
Depreciation/Amortization	18,749,127.44	16,621,441.11	2,127,686.33	12.80%
Total Operating Expenses	**391,180,097.03**	**341,446,075.29**	**49,734,021.74**	14.57%
Operating Loss	**(213,192,476.39)**	**(182,216,151.38)**	**(30,976,325.01)**	17.00%
Nonoperating Revenues (Expenses)				
State Appropriations	126,463,127.24	114,318,189.12	12,144,938.12	10.62%
State Aid - Coronavirus	-	2,364,532.00	(2,364,532.00)	-100.00%
Noncapital Contributions and Student Financial Aid	85,510,615.43	79,284,515.17	6,226,100.26	7.85%
Federal Aid - COVID-19	53,582,446.05	61,113,448.25	(7,531,002.20)	-12.32%
Interest and Fees on Debt	(3,552,884.25)	(3,573,035.83)	20,151.58	-0.56%
Other Nonoperating Expenses	(905,990.44)	(546,909.43)	(359,081.01)	65.66%
Investment Income (Loss), Net	2,766,821.18	(151,917.01)	2,918,738.19	-1921.27%
Net Nonoperating Revenues	**263,864,135.21**	**252,808,822.27**	**11,055,312.94**	4.37%
Income Before Other Revenues	**50,671,658.82**	**70,592,670.89**	**(19,921,012.07)**	-28.22%
Other Revenues				
Capital Contributions	8,006,900.65	24,213,417.71	(16,206,517.06)	-66.93%
Additions to Endowments	8,108,897.15	8,483,977.84	(375,080.69)	-4.42%
Total Other Revenues	**16,115,797.80**	**32,697,395.55**	**(16,581,597.75)**	-50.71%
Total Increase in Net Position	**66,787,456.62**	**103,290,066.44**	**(36,502,609.82)**	-35.34%
Net Position - Beginning of the Year	**504,404,471.26**	**401,114,404.82**	**103,290,066.44**	25.75%
Net Position - End of the Year	**$ 571,191,927.88**	**$ 504,404,471.26**	**$ 66,787,456.62**	13.24%

The Statement of Revenues, Expenses, and Changes in Net Position consists of total revenues of $462.4 million and total expenses of $395.6 million, resulting in an overall increase in net position of $66.8 million, a decrease of $36.5 million from the prior fiscal year. Highlights of significant changes are as follows:

- Total operating revenues increased by $18.8 million. Higher enrollment numbers and fee increases led to increases in tuition and fees of $9.3 million. Grants and contracts revenues increased by $9.0 million as awards increased in number and dollar amounts primarily from multiple federal agencies. Sales and services increased $3.3 million, also due to increases in enrollment and rates charged primarily for housing and dining services.

- Total operating expenses increased $49.7 million. Salaries and benefits increased by $5.3 million due to increases of $7.8 million for new hires and legislative raises, offset by a net decrease of $2.5 million in pension and OPEB expenses. Supplies and services increased by $39.0 million, a 40.44% increase over fiscal year 2022. This increase was caused primarily by the following:
    - Travel increased by $4.5 million as conferences shifted to in-person events and the restrictions on international travel were removed.
    - Sub-agreements increased by $3.2 million as the number of contracts and grants increased.
    - Dining system food contract expenses increased by $4.6 million due to rising costs and increased enrollment.
    - Noncapital expenses for equipment and facilities maintenance increased by $11.2 million in fiscal year 2023 due to increases in costs for materials and labor. The University also incurred significant expenses for campus-wide IT projects and computer upgrades. The State provided $1.3 million in funding for small repair and maintenance projects.
    - Expenditures for educational supplies and materials increased by $4.1 million due to an increase in on-campus activity.
    - The University's commitment expended to Gateway Research Park increased by $1.6 million in fiscal year 2023 for laboratory and equipment upgrades (see Note 17).
- The University experienced a $11.1 million, or 4.37% increase in net nonoperating revenues due to the following:
    - State appropriations increased by $12.1 million because of increased enrollment and program support.
    - State and federal COVID-19 related aid decreased by $2.4 million and $7.5 million, respectively, as the majority of the pandemic relief was received in prior periods.
    - Noncapital contributions increased by $6.2 million due to large private donations.
    - Investment income increased by $2.9 million due to improved market performance during the year.
- Other revenues decreased by $16.6 million, or 50.71%, as the Martin Engineering Research & Innovation Complex was completed in fiscal year 2022, therefore limited funding was required during the current fiscal year.

The University presents expenditures by natural classification in the Statement of Revenues, Expenses, and Changes in Net Position. Salaries and benefits accounted for 46.62% of operating expenses, followed by supplies and services at 34.65%, scholarships and fellowships at 11.84%, depreciation & amortization at 4.79%, and utility costs at 2.10%.

Capital Assets and Debt Administration

The University is fiscally conservative in the administration of its debt and is prudent in its expenditures for capital projects that enhance the learning experience for its students, provide adequate space and equipment for its research, and maintain the quality of its physical plant. As a state university, North Carolina Agricultural and Technical State University receives funding from the state budget but because of limitations on that budget, the University very thoughtfully and purposefully issues debt when necessary. Current debt capacity is calculated to be $254 million. Bond agencies Moody's and Fitch assigned Aa3 and AA- ratings, respectively. On July 12, 2023, Moody's upgraded the University's rating to Aa3 from A1, and revised the outlook to Stable from Positive.

Architectural rendering of the future Bluford Residence Hall.

On December 7, 2023, the University issued $58.45 million in Series 2023 general revenue bonds to fund construction of the Bluford Residence Hall, a five story, 429 bed facility. See Note 21 for additional information.

The new residence hall will offer one, two, and four bedroom suites with kitchenettes and bathrooms. Common areas will include gaming rooms, vending, laundry facilities, multipurpose rooms, and offices. Bluford Residence Hall will be named for Ferdinand Douglass Bluford, the third president in the history of the institution.

The University's statement of net position reflects total capital assets, net of accumulated depreciation, amortization, and related debt, as of June 30, 2023, of $389.0 million. This amount includes land, plant (facilities), equipment, right-to-use leased/subscription assets, and construction in progress. The $9.1 million increase in capital assets (net) was primarily due to $17.1 million in machinery and equipment acquisitions related to the completion of the Martin Engineering Research & Innovation Complex in the prior period.

Future Outlook

The University's financial position remained strong as evidenced by the $66.8 million increase in net position. Total state support increased 10.62% from $114.3 million to $126.5 million. In addition, support from private donors continued to increase while awards for contracts and grants reached an all-time high.

The University increased enrollment in fiscal year 2023 at a time when universities are experiencing stagnant or declining numbers. Registration for the 2023-24 fiscal year is currently at 13,817, the highest enrollment yet. This historic headcount continues to place North Carolina Agricultural and Technical University as America's largest four-year, Historically Black College/University (HBCU).

The University continues its momentum of private scholarship support following its successful capital campaign, raising $26 million in the past fiscal year, far exceeding the goal of $25 million. There continues to be public interest in giving to the most critical priorities of the University through both current use and endowed gifts. As a result, the University continues to be able to award record numbers of scholarships in both numbers and amount, have two donor named colleges, and now has the largest endowment of all public HBCU's. The endowment-to-student ratio is quickly approaching the $12,000 mark and is expected to pass that milestone with the current level of contributions this fiscal year.

The University also continues to excel in high-quality academic research, particularly in the STEM disciplines for which A&T's work is well known. The University received approximately $145 million in research awards for fiscal year 2023, an increase of about 20% from the prior fiscal year. Significant awards received during the year included $7.5 million from the Department of Defense, $1.8 million from Collaborative Composite Solutions, and $1.4 million from the U.S. Department of Transportation.

The University continues to expand facilities for STEM and student support. Major renovations to several classroom buildings, totaling over $60 million, are underway or in the planning phase. Projects in the design phase include a new student health and wellness center plus a new student residence living space. The investment of $140 million in these two facilities will continue to support North Carolina Agricultural and Technical State University's position as a destination university.

Over the past decade, enrollment has grown 27% and the average GPA for entering freshmen has increased to 3.77. Applications are up by 246% and research funding has grown significantly. These achievements were guided by the University's master plan, Preeminence 2023, which has now been updated to take the University through 2030. Preeminence 2030 envisions new classroom buildings and student facilities and is a blueprint for community engagement, scholarship, and leadership development.

FINANCIAL STATEMENTS

North Carolina Agricultural and Technical State University
Statement of Net Position — *Exhibit A-1*
June 30, 2023 — *Page 1 of 2*

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 134,371,774.98
Restricted Cash and Cash Equivalents	44,082,600.17
Restricted Short-Term Investments	91,595.00
Receivables, Net (Note 5)	41,574,816.24
Due from University Component Unit	1,463,981.19
Inventories	890,555.16
Notes Receivable	5,451.04
Total Current Assets	222,480,773.78
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	23,221,377.14
Receivables	7,279,942.40
Endowment Investments	155,056,002.15
Restricted Investments	3,927.91
Notes Receivable, Net (Note 5)	114,654.40
Capital Assets - Nondepreciable (Note 6)	30,252,956.96
Capital Assets - Depreciable, Net (Note 6)	457,414,625.09
Total Noncurrent Assets	673,343,486.05
Total Assets	895,824,259.83
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	601,639.12
Deferred Outflows Related to Pensions	38,556,062.68
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	33,206,970.58
Total Deferred Outflows of Resources	72,364,672.38
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	5,638,061.73
Due to University Component Unit	2,704,852.00
Unearned Revenue	5,217,825.35
Interest Payable	967,395.32
Long-Term Liabilities - Current Portion (Note 8)	5,308,117.71
Total Current Liabilities	19,836,252.11
Noncurrent Liabilities:	
Funds Held for Others	500,268.94
Long-Term Liabilities, Net (Note 8)	304,780,139.28
Total Noncurrent Liabilities	305,280,408.22
Total Liabilities	325,116,660.33

DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Endowments	30,000.00
Deferred Inflows Related to Pensions	1,831,782.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	70,018,562.00
Total Deferred Inflows of Resources	71,880,344.00
NET POSITION	
Net Investment in Capital Assets	389,012,498.43
Restricted:	
Nonexpendable:	
True Endowments	76,675,650.08
Student Loans and Other	149,060.61
Total Restricted-Nonexpendable Net Position	76,824,710.69
Expendable:	
Scholarships, Research, Instruction, and Other	79,215,128.94
Capital Projects	18,626,223.93
Total Restricted-Expendable Net Position	97,841,352.87
Unrestricted	7,513,365.89
Total Net Position	$ 571,191,927.88

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

North Carolina Agricultural and Technical State University
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2023

Exhibit A-2

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 11)	$ 91,329,847.97
Federal Appropriations	9,045,108.70
Federal Grants and Contracts	36,142,996.93
State and Local Grants and Contracts	3,296,650.84
Nongovernmental Grants and Contracts	2,002,397.29
Sales and Services, Net (Note 11)	32,828,616.84
Interest Earnings on Loans	2,893.13
Other Operating Revenues	3,339,108.94
Total Operating Revenues	177,987,620.64
OPERATING EXPENSES	
Salaries and Benefits	182,351,818.00
Supplies and Services	135,549,673.66
Scholarships and Fellowships	46,317,587.08
Utilities	8,211,890.85
Depreciation/Amortization	18,749,127.44
Total Operating Expenses	391,180,097.03
Operating Loss	(213,192,476.39)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	126,463,127.24
Student Financial Aid	50,095,834.27
Federal Aid - COVID-19	53,582,446.05
Noncapital Contributions	35,414,781.16
Investment Income (Net of Investment Expense of $354,389.79)	2,766,821.18
Interest and Fees on Debt	(3,552,884.25)
Other Nonoperating Expenses	(905,990.44)
Net Nonoperating Revenues	263,864,135.21
Income Before Other Revenues	50,671,658.82
Capital Contributions	8,006,900.65
Additions to Endowments	8,108,897.15
Total Other Revenues	16,115,797.80
Increase in Net Position	66,787,456.62
NET POSITION	
Net Position - July 1, 2022	504,404,471.26
Net Position - June 30, 2023	$ 571,191,927.88

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

North Carolina Agricultural and Technical State University
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 171,265,005.87
Payments to Employees and Fringe Benefits	(209,086,372.97)
Payments to Vendors and Suppliers	(142,978,941.39)
Payments for Scholarships and Fellowships	(46,343,487.08)
Collection of Loans	27,373.91
Interest Earned on Loans	7,331.54
William D. Ford Direct Lending Receipts	80,888,039.00
William D. Ford Direct Lending Disbursements	(80,888,039.00)
Related Activity Agency Receipts	183,422.02
Related Activity Agency Disbursements	(99,279.16)
Other Receipts	3,338,939.71
Net Cash Used by Operating Activities	(223,686,007.55)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	126,463,127.24
Student Financial Aid	48,760,249.50
Federal Aid - COVID-19	39,683,291.53
Noncapital Contributions	25,897,927.34
Additions to Endowments	8,108,897.15
Total Cash Provided by Noncapital Financing Activities	248,913,492.76
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
Capital Contributions	7,710,900.65
Acquisition and Construction of Capital Assets	(24,669,563.46)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(4,260,568.29)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(3,683,201.79)
Net Cash Used by Capital Financing and Related Financing Activities	(24,902,432.89)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	347,708.34
Investment Income	3,175,390.57
Purchase of Investments and Related Fees	(13,600,000.00)
Net Cash Used by Investing Activities	(10,076,901.09)
Net Decrease in Cash and Cash Equivalents	(9,751,848.77)
Cash and Cash Equivalents - July 1, 2022	211,427,601.06
Cash and Cash Equivalents - June 30, 2023	$ 201,675,752.29

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (213,192,476.39)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	18,749,127.44
Allowances, Write-Offs, and Amortizations	(32,337.99)
Gain on Lease Terminations	(169.23)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(2,927,652.00)
Due from University Component Units	197,634.79
Inventories	12,827.86
Notes Receivable, Net	68,391.43
Net Other Postemployment Benefits Asset	99,464.00
Deferred Outflows Related to Pensions	(16,899,871.95)
Deferred Outflows Related to Other Postemployment Benefits	6,417,668.93
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(434,766.24)
Funds Held for Others	84,142.86
Unearned Revenue	34,851.51
Net Pension Liability	40,456,814.00
Net Other Postemployment Benefits Liability	(47,694,540.00)
Compensated Absences	200,109.00
Workers' Compensation Liability	(382,449.57)
Deferred Inflows Related to Pensions	(23,530,125.00)
Deferred Inflows Related to Other Postemployment Benefits	15,087,349.00
Net Cash Used by Operating Activities	$ (223,686,007.55)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 2,825,618.48
Assets Acquired through a Gift	296,000.00
Change in Fair Value of Investments	(1,828,396.62)
Reinvested Distributions	1,246,657.72
Loss on Disposal of Capital Assets	(905,990.44)
Lease Terminations	(79,084.17)
Amortization of Bond Premiums	(213,679.86)
Increase in Receivables Related to Nonoperating Revenues	21,781,136.99
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(1,060,617.00)

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

The North Carolina A&T Real Estate Foundation, Inc.
Consolidated Statement of Financial Position
June 30, 2023 — Exhibit B-1

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 18,607,592
Investments	13,831,289
Promises to Give, Net	297,159
Due from NCA&T State University	2,706,506
Accounts Receivable, Net	824,517
Other Assets	205,422
Total Current Assets	36,472,485
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	21,475,541
Funds Held by Others	1,462,189
Investments	4,660,687
Property Held for Resale	954,417
Promises to Give, Net	1,711,857
Cash Surrender Value of Life Insurance	20,164
Property and Equipment, Net	122,514,680
Total Noncurrent Assets	152,799,535
Total Assets	$ 189,272,020
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	$ 3,076,840
Due to NCA&T State University	1,263,881
Due to NCA&T Alumni Association	19,206
Notes Payable - Current Maturities	25,616,834
Bonds Payable - Current Maturities	3,090,000
Total Current Liabilities	33,066,761
Noncurrent Liabilities:	
Interest Rate Swap Agreement	342,997
Bonds Payable, Net - Long-Term	101,268,693
Total Noncurrent Liabilities	101,611,690
Total Liabilities	134,678,451
NET ASSETS	
Without Donor Restrictions	19,616,203
With Donor Restrictions	34,977,366
Total Net Assets	54,593,569
Total Liabilities and Net Assets	$ 189,272,020

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

The North Carolina A&T Real Estate Foundation, Inc.
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2023 *Exhibit B-2*

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Gifts	$ 1,000	$ 7,962,123	$ 7,963,123
Rental Income	24,428,334	-	24,428,334
Fee Income	595,362	-	595,362
Other Income	1,243,015	-	1,243,015
Net Assets Released from Restrictions	7,084,057	(7,084,057)	-
Total Support and Revenue	33,351,768	878,066	34,229,834
EXPENSES			
Program Services:			
University Support	7,084,057	-	7,084,057
Student Housing	19,632,362	-	19,632,362
Total Program Services	26,716,419	-	26,716,419
Supporting Services:			
Management and General	7,207,444	-	7,207,444
Total Expenses	33,923,863	-	33,923,863
Changes from Operating Activities	(572,095)	878,066	305,971
NONOPERATING ACTIVITIES			
Interest and Dividends	118,912	39,249	158,161
Net Realized and Unrealized Losses on Investments	(18,226)	(159,012)	(177,238)
Other Income from University	2,225,536	-	2,225,536
Loss on Interest Rate Swap	(85,954)	-	(85,954)
Other Income	750,284	1,027,627	1,777,911
Changes from Nonoperating Activities	2,990,552	907,864	3,898,416
Change in Net Assets	2,418,457	1,785,930	4,204,387
NET ASSETS			
Net Assets at Beginning of Year	19,281,030	33,191,436	52,472,466
Prior Period Adjustments	(2,083,284)	-	(2,083,284)
Net Assets at End of Year	$ 19,616,203	$ 34,977,366	$ 54,593,569

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 Agricultural and Technical State 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 North Carolina A&T Investment Foundation, Inc. (Investment Foundation), a component unit of the University, is reported as if it was part of the University.

The Investment Foundation is governed by a board consisting of three ex officio directors and seven elected directors. The Investment Foundation's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. The Investment Foundation is a governmental external investment pool. Because a majority of the board is composed of University officers or directors appointed by the Endowment Board Committee of the Board of Trustees and because the Investment Foundation's primary purpose is to benefit the University, its financial statements have been blended with those of the University.

Separate financial statements for the Investment Foundation may be obtained from the University Controller's Office, 1601 East Market Street, Greensboro, NC 27411, or by calling (336) 334-7684.

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

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

The Real Estate Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Real Estate Foundation board consists of not less than nine and not more than fifteen members who are elected annually for a term of three years. Although the University does not control the timing or amount of receipts from the Real Estate Foundation, the majority of resources, or income thereon, that the Real Estate Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Real Estate Foundation can only be used by, or for the benefit of the University, the Real Estate 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 Real Estate Foundation 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 revenue recognition criteria and presentation features. No modifications have been made to the Real Estate Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2023, the Real Estate Foundation distributed $7,084,057.00 to the University for both restricted and unrestricted purposes. The University also reported a $2,704,852.00 payable due to the Real Estate Foundation at year end, $1,878,835.00 of which was for reimbursement on the advanced planning phase of the Bluford Residence Hall capital project. Complete financial statements for the Real Estate Foundation can be obtained from 200 North Benbow Road, Greensboro, NC 27411.

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 petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E. **Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

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

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, 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 of fuel oil held for consumption are valued at cost using the last invoice method. Inventories of postage are valued using the retail cost method. Inventories of feed at the University farm are valued using the current market value method. Inventories for expendable supplies are valued at cost using either the first-in, first-out, last invoice cost, or average cost method, depending on the product. Merchandise for resale is valued 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.

   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.

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

Asset Class	Estimated Useful Life
Buildings	10-50 years
Machinery and Equipment	10-25 years
General Infrastructure	10-50 years

   Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of $5,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of $100,000 or greater and an estimated useful life of more than one year.

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

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, 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 a note from direct borrowing. Other long-term liabilities include: lease liabilities, subscription liabilities, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

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

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2022 *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 13 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2022 *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 and Disability Income Plan of North Carolina. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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

There is no liability for unpaid accumulated sick leave because 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 10 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 and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

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

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

Q. Internal Sales Activities - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as maintenance of auxiliary operations. 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, 2023, the amount shown on the Statement of Net Position as cash and cash equivalents includes $201,574,620.22, 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 0.7 years as of June 30, 2023. 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, 2023 was $8,399.00. The carrying amount and bank balance of the University's deposits not with the State Treasurer was $92,733.07. 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, 2023, 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.

Additionally, the University has also been delegated authority by the President of the University of North Carolina pursuant to G.S. 116-36.1 and Section 600.2.4.1 of the Policy Manual of the University of North Carolina to invest its trust funds 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 Investment 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.

External Investment Pool - The External Investment Pool sponsored by the University was established on July 1, 2019. The Pool is utilized to manage the investments for charitable, nonprofit organizations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. University endowment funds and the Real Estate Foundation, which is the discretely presented component unit included in the University's reporting entity, represent the Pool's internal participants. The Fund holds cash and investments. Due to the minimal balance held in cash, the entire amount is allocated to the University. Fund ownership of the Pool is measured using the pro rata share method. Under this method, each participating fund's investment balance is determined based on its pro rata share at the end of each month.

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

The Investment Foundation is the custodian for the Pool and provides the University with monthly statements defining income and valuation, which is then allocated among the Pool's participants. There are no involuntary participants in the Pool. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Pool's investments. The annual financial report for the External Investment Pool may be obtained from the University Controller's Office, 1601 East Market Street, Greensboro, NC 27411, or by calling (336) 334-7684.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2023, for the External Investment Pool.

External Investment Pool

		Investment Maturities (in Years)
	Amount	Less Than 1
Investment Type		
Debt Securities		
Money Market Mutual Funds	$ 2,560,240.64	$ 2,560,240.64
Other Securities		
Nonnegotiable Certificates of Deposit	2,558,851.92	
UNC Investment Fund	168,258,517.98	
Total External Investment Pool	$ 173,377,610.54	

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

At June 30, 2023, money market mutual funds with a fair value of $2,560,240.64, were unrated.

Separate financial statements for the Real Estate Foundation and the Investment Foundation may be obtained from the University Controller's Office, 1601 East Market Street, Greensboro, NC 27411, or by calling (336) 334-7684.

UNC Investment Fund, LLC - At June 30, 2023, the University's investments include $168,258,517.98, which represents the University's and Real Estate Foundation'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, 2023, for the University's non-pooled investments.

Non-Pooled Investments

	Amount
Investment Type	
Other Securities	
Investments in Real Estate	$ 115,400.00
Domestic Stocks	37,505.24
Foreign Stocks (denominated in U.S. Dollars)	13,462.28
Other - Insurance Policy Surrender Value	91,595.00
Total Non-Pooled Investments	$ 257,962.52

Total Investments - The following table presents the total investments at June 30, 2023:

	Amount
Investment Type	
Debt Securities	
Money Market Mutual Funds	$ 2,560,240.64
Other Securities	
UNC Investment Fund	168,258,517.98
Nonnegotiable Certificates of Deposit	2,558,851.92
Investments in Real Estate	115,400.00
Domestic Stocks	37,505.24
Foreign Stocks (denominated in U.S. dollars)	13,462.28
Other - Insurance Policy Surrender Value	91,595.00
Total Investments	$ 173,635,573.06

Total investments as reported in the University's financial statements:

	Amount
University Statement of Net Position	
Restricted Short-Term Investments	$ 91,595.00
Endowment Investments	155,056,002.15
Restricted Investments	3,927.91
Total University Investments	155,151,525.06
Component Unit	
Investments of the Investment Foundation Held for the Discretely Presented Component Unit	18,484,048.00
Total Investments	$ 173,635,573.06

Component Unit - Investments of the University's discretely presented 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. Because the Real Estate 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	
Limited Partnership	$ 7,928

NOTE 3 - FAIR VALUE MEASUREMENTS

University - To the extent available, the University's investments are recorded at fair value as of June 30, 2023. 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 and the Real Estate Foundation's portion of the External Investment Pool, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2023:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Money Market Mutual Funds	$ 2,560,240.64	$ 2,560,240.64	$ -	$ -
Other Securities				
Nonnegotiable Certificates of Deposit	2,558,851.92	2,558,851.92	-	-
Investments in Real Estate	115,400.00	-	-	115,400.00
Domestic Stocks	37,505.24	263,344.24	-	-
Foreign Stocks (denominated in U.S. dollars)	13,462.28	13,462.28	-	-
Other - Insurance Policy Surrender Value	91,595.00	-	-	91,595.00
Total Investments by Fair Value Level	5,377,055.08	$ 5,395,899.08	$ -	$ 206,995.00
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	201,574,620.22			
UNC Investment Fund	168,258,517.98			
Total Investments as a Position in an External Investment Pool	369,833,138.20			
Total Investments Measured at Fair Value	$ 375,210,193.28			

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 and Real Estate Foundation'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.

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investment in Real Estate - The University currently holds a parcel of land for resale valued at $115,400.00, which is classified in Level 3. The real estate was donated to the University to be sold and is measured at fair value by comparing to the county tax value.

Insurance Policy Surrender Value - Other investments include an insurance policy with a cash surrender value of $91,595.00. This investment is classified in Level 3. The University uses the value that is supplied by the insurer and is based on the amount available in cash upon cancellation of the insurance policy before maturity.

Component Unit - The discretely presented component unit's financial data is reported in separate financial statements because of its use of a different reporting model. Complete financial statements including applicable disclosures for the Real Estate Foundation can be obtained from 200 North Benbow Road, Greensboro, NC 27411.

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. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy which limits spending to not more than 5% of endowment average market value at June 30th for the prior 12 quarters. To the extent that the total return for the current year exceeds the payout, the excess is retained in the endowment fund. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2023, net appreciation of $35,433,592.08 was available to be spent, of which $29,824,626.00 was classified in net position as restricted expendable for scholarships, research, instruction, and other as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

During the current year, the University incurred investment losses that exceeded the related endowment's available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2023, the amount of investment losses reported against the nonexpendable endowment balances was $519,908.47.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2023, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 3,137,252.90	$ 603,984.34	$ 2,533,268.56
Intergovernmental	33,394,130.70	-	33,394,130.70
Pledges	4,769,447.90	-	4,769,447.90
Interest on Loans	14,394.04	-	14,394.04
Other	863,575.04	-	863,575.04
Total Current Receivables	$ 42,178,800.58	$ 603,984.34	$ 41,574,816.24
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 148,072.96	$ 33,418.56	$ 114,654.40

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022 (as Restated)	Increases	Decreases	Balance June 30, 2023
Capital Assets, Nondepreciable:				
Land	$ 18,266,186.29	$ 560,586.91	$ -	$ 18,826,773.20
Art, Literature, and Artifacts	2,563,797.00	-	-	2,563,797.00
Construction in Progress	5,095,564.13	4,794,376.37	1,027,553.74	8,862,386.76
Total Capital Assets, Nondepreciable	25,925,547.42	5,354,963.28	1,027,553.74	30,252,956.96
Capital Assets, Depreciable:				
Buildings	557,930,730.19	4,898,203.28	-	562,828,933.47
Machinery and Equipment	102,543,085.44	17,093,354.00	2,607,261.18	117,029,178.26
General Infrastructure	20,509,689.95	-	-	20,509,689.95
Right-to-Use Leased Buildings	4,287,354.59	-	146,870.61	4,140,483.98
Right-to-Use Leased Machinery and Equipment	-	133,384.24	-	133,384.24
Right-to-Use Subscription Assets	1,623,150.65	731,791.07	-	2,354,941.72
Total Capital Assets, Depreciable	686,894,010.82	22,856,732.59	2,754,131.79	706,996,611.62
Less Accumulated Depreciation/Amortization for:				
Buildings	170,524,547.63	11,536,287.60	-	182,060,835.23
Machinery and Equipment	49,375,189.48	5,331,649.59	1,701,270.74	53,005,568.33
General Infrastructure	11,838,227.69	683,996.87	-	12,522,224.56
Right-to-Use Leased Buildings	863,951.47	796,165.03	67,786.44	1,592,330.06
Right-to-Use Leased Machinery and Equipment	-	16,765.76	-	16,765.76
Right-to-Use Subscription Assets	-	384,262.59	-	384,262.59
Total Accumulated Depreciation/Amortization	232,601,916.27	18,749,127.44	1,769,057.18	249,581,986.53
Total Capital Assets, Depreciable, Net	454,292,094.55	4,107,605.15	985,074.61	457,414,625.09
Capital Assets, Net	$ 480,217,641.97	$ 9,462,568.43	$ 2,012,628.35	$ 487,667,582.05

As of June 30, 2023, the total amount of right-to-use leased assets was $4,273,868.22 and the related accumulated amortization was $1,609,095.82.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2023, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 4,156,821.11
Accounts Payable - Capital Assets	81,608.17
Accrued Payroll	1,370,413.77
Intergovernmental Payables	29,218.68
Total Current Accounts Payable and Accrued Liabilities	$ 5,638,061.73

NOTE 8 - LONG-TERM LIABILITIES

University

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022 (as Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 87,680,000.00	$ -	$ 2,595,000.00	$ 85,085,000.00	$ 2,665,000.00
Plus: Unamortized Premium	4,475,363.58	-	213,679.86	4,261,683.72	-
Total Revenue Bonds Payable, Net	92,155,363.58	-	2,808,679.86	89,346,683.72	2,665,000.00
Note from Direct Borrowing	3,092,919.61	-	470,195.28	2,622,724.33	233,204.23
Total Long-Term Debt	95,248,283.19	-	3,278,875.14	91,969,408.05	2,898,204.23
Other Long-Term Liabilities					
Lease Liabilities	3,401,065.66	133,384.24	889,381.65	2,645,068.25	797,186.94
Subscription (SBITA) Liabilities	1,623,150.65	731,791.07	385,244.76	1,969,696.96	352,809.19
Employee Benefits					
Compensated Absences	11,599,644.00	8,098,017.00	7,897,888.00	11,799,773.00	743,107.00
Net Pension Liability	20,101,001.00	40,456,814.00	-	60,557,815.00	-
Net Other Postemployment Benefits Liability	188,462,629.00	175,594.00	48,930,751.00	139,707,472.00	-
Workers' Compensation	1,821,473.30	299,178.84	681,628.41	1,439,023.73	516,810.35
Total Other Long-Term Liabilities	227,008,963.61	49,894,779.15	58,784,893.82	218,118,848.94	2,409,913.48
Total Long-Term Liabilities, Net	$ 322,257,246.80	$ 49,894,779.15	$ 62,063,768.96	$ 310,088,256.99	$ 5,308,117.71

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 9.
Additional information regarding the net pension liability is included in Note 13.
Additional information regarding the net other postemployment benefits liability is included in Note 14.
Additional information regarding workers' compensation is included in Note 15.

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

Purpose	Series	Interest Rate Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2023
Revenue Bonds Payable					
The University of North Carolina Revenue Bonds					
Refund Series 2006B - Parking System	2015A	2.00%-5.00%	10/01/2033	$ 4,760,000.00	$ 3,755,000.00
Student Center	2015A	3.00%-5.00%	10/01/2045	72,220,000.00	71,530,000.00
Refund Series 2011C and 2013 - Stadium and Student Health Center	2020	0.634%-2.512%	10/01/2037	10,570,000.00	9,800,000.00
Total Revenue Bonds Payable (principal only)				$ 87,550,000.00	85,085,000.00
Plus: Unamortized Premium					4,261,683.72
Total Revenue Bonds Payable, Net					$ 89,346,683.72

C. Note from Direct Borrowing - The University was indebted for a note from direct borrowing for the purpose shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2023
Energy Performance Contract	Capital One Public Funding, LLC	3.68%	09/01/2032	$ 4,183,984.78	$ 2,622,724.33

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2023, are as follows:

	Annual Requirements			
	Revenue Bonds Payable		Note from Direct Borrowing	
Fiscal Year	Principal	Interest	Principal	Interest
2024	$ 2,665,000.00	$ 3,460,025.66	$ 233,204.23	$ 93,195.77
2025	2,775,000.00	3,360,656.56	244,979.53	84,464.47
2026	2,880,000.00	3,245,231.46	257,213.84	75,294.15
2027	3,000,000.00	3,122,956.86	269,928.35	65,667.65
2028	3,285,000.00	2,989,392.26	283,132.80	55,567.20
2029-2033	17,935,000.00	13,212,100.19	1,334,265.58	111,669.29
2034-2038	18,865,000.00	9,480,267.20	-	-
2039-2043	19,705,000.00	5,011,825.00	-	-
2044-2046	13,975,000.00	853,300.00	-	-
Total Requirements	$ 85,085,000.00	$ 44,735,755.19	$ 2,622,724.33	$ 485,858.53

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 University's outstanding revenue bonds of $85,085,000.00 contain provisions related to default and remedies. An event of default occurs when (1) the University fails to pay an installment payment when due, or (2) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 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. However, if the Board deposits with the Trustee all amounts due on matured installments of principal and interest as well as amounts sufficient to compensate the Trustee for costs incurred, the event of default will be deemed waived.

Note from Direct Borrowing - The University entered into an installment financing agreement to fund energy savings equipment and improvements on April 8, 2014. The equipment and improvements are pledged to secure the debt based on provisions of the financing agreement.

Provisions related to default and remedies govern the following: (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 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 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 cancelation of the contract and the return of all equipment at the University's sole expense.

Component Unit

Bonds Payable

Bonds payable as of June 30, 2023, consist of the following:

	Interest Rate/ Ranges	Final Maturity (Serially)	Original Issue	Principal Outstanding
North Carolina Capital Facilities Finance Agency (NCCFFA):				
Variable Rate Student Housing Revenue Bonds, Series 2004B	5.00%	2035	$ 21,000,000	$ 9,840,000
Student Housing Revenue Refunding Bonds, Series 2015A	4.00% - 5.00%	2035	22,495,000	16,000,000
Public Finance Authority (PFA):				
Student Housing Facilities Bonds, Series 2019A	3.00% - 5.00%	2049	26,020,000	25,720,000
Student Housing Facilities Bonds, Series 2019B	3.00% - 5.00%	2049	47,795,000	46,085,000
Total Bonds Payble (principal only)			$ 117,310,000	97,645,000
Plus: Unamortized Premium				10,022,496
Less: Current Portion				(3,090,000)
Less: Bond Issuance Costs				(3,308,803)
Total Long-Term Bonds Payable, Net				$ 101,268,693

Minimum maturities on all bonds of the Real Estate Foundation are as follows:

Fiscal Year	Amount
2024	$ 3,090,000
2025	3,320,000
2026	3,570,000
2027	3,820,000
2028	4,100,000
Thereafter	79,745,000
Total (principal only)	$ 97,645,000

Notes Payable

Notes payable as of June 30, 2023, consist of the following:

Financial Institution	Interest Rate	Final Maturity (Serially)	Principal Outstanding
PNC Bank	1.60%	1/18/2024	$ 24,913,896
PNC Bank	LIBOR + 1.75%	7/7/2023	702,938
Total Notes Payable			25,616,834
Less: Current Portion			(25,616,834)
Total Long-Term Notes Payable, Net			$ -

Further information regarding bonds and notes payable is available in the Real Estate Foundation's audited financial statements.

NOTE 9 - LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A. Lessee Arrangements - The University has lease agreements for the right to use warehouse space and equipment from both external and related parties. The leases expire at various dates, and some have renewal options. Lease liabilities and 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 underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate. During the year the University did not recognize any variable payment amounts.

The University's lessee arrangements at June 30, 2023, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2023	Current Portion	Lease Terms (1)	Interest Rate/ Ranges
Lessee:					
Right-to-Use Leased Buildings	4	$2,531,259.85	$ 771,822.66	69 months	0.7270% - 1.493%
Right-to-Use Leased Machinery and Equipment	1	113,808.40	25,364.28	60 months	3.305%
Total	5	$2,645,068.25	$ 797,186.94		

(1) The lease terms were calculated using weighted averages based on lease payable amounts.

B. Subscription-Based Information Technology Arrangements (SBITAs) - The University enters SBITAs for the right to use cloud computing arrangement (network) assets from external parties. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate. During the year the University did not recognize any variable payment amounts.

The University's SBITAs at June 30, 2023, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2023	Current Portion	SBITA Terms and Conditions	Interest Rate Ranges
Right-to-Use Subscription Assets	3	$1,969,696.96	$ 352,809.19	48 - 84 months	2.275% - 2.663%

C. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2023, are as follows:

	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
Fiscal Year	Principal	Interest	Principal	Interest
2024	$ 797,186.94	$ 33,171.42	$ 352,809.19	$ 50,566.74
2025	759,021.24	23,849.30	379,388.50	41,719.36
2026	768,342.61	14,527.83	407,716.98	32,209.56
2027	190,292.97	5,077.47	271,287.71	21,993.93
2028	130,224.49	1,896.62	291,445.53	14,816.79
2029-2033	-	-	267,049.05	7,111.52
Total Requirements	$ 2,645,068.25	$ 78,522.64	$ 1,969,696.96	$ 168,417.90

NOTE 10 - NET POSITION

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (23,833,534.32)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(176,519,063.42)
Effect on Unrestricted Net Position	(200,352,597.74)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	207,865,963.63
Total Unrestricted Net Position	$ 7,513,365.89

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

NOTE 11 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 152,502,093.99	$ 60,841,134.38	$ 331,111.64	$ 91,329,847.97
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	$ 14,884,383.49	$ 5,348,024.14	$ 137,887.28	$ 9,398,472.07
Dining	23,927,577.38	9,464,446.14	227,733.51	14,235,397.73
Student Union Services	64,853.67	-	-	64,853.67
Health, Physical Education, and Recreation Services	600,527.56	-	-	600,527.56
Bookstore	1,412,633.42	-	-	1,412,633.42
Parking	2,046,957.10	-	-	2,046,957.10
Athletic	4,157,091.60	-	-	4,157,091.60
Other	616,744.59	-	-	616,744.59
Sales and Services of Education and Related Activities	295,939.10	-	-	295,939.10
Total Sales and Services, Net	$ 48,006,707.91	$ 14,812,470.28	$ 365,620.79	$ 32,828,616.84

NOTE 12 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 77,042,730.31	$ 6,040,154.00	$ -	$ -	$ -	$ 83,082,884.31
Research	20,852,890.91	14,679,977.23	-	-	-	35,532,868.14
Public Service	7,660,791.72	2,681,758.64	-	-	-	10,342,550.36
Academic Support	18,774,723.16	33,053,262.71	-	-	-	51,827,985.87
Student Services	5,351,152.06	1,967,403.14	-	-	-	7,318,555.20
Institutional Support	23,512,180.58	28,258,662.43	-	1,886.56	-	51,772,729.57
Operations and Maintenance of Plant	8,710,738.42	9,047,119.49	-	8,111,044.23	-	25,868,902.14
Student Financial Aid	-	-	46,317,587.08	-	-	46,317,587.08
Auxiliary Enterprises	20,446,610.84	39,821,336.02	-	98,960.06	-	60,366,906.92
Depreciation/Amortization	-	-	-	-	18,749,127.44	18,749,127.44
Total Operating Expenses	$ 182,351,818.00	$ 135,549,673.66	$ 46,317,587.08	$ 8,211,890.85	$ 18,749,127.44	$ 391,180,097.03

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 $14,119,283.98 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the University in providing the student awards, the related program activity is reported as nonoperating Federal Aid - COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 11.

NOTE 13 - PENSION PLANS

A. Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. 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, 2023 was 17.38% of covered payroll. Plan members' contributions to the pension plan were $4,473,470.15, and the University's contributions were $12,958,151.86 for the year ended June 30, 2023.

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 2022 *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, 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 2022 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2023, the University reported a liability of $60,557,815.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. 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, 2022, the University's proportion was 0.40801%, which was a decrease of 0.02126 from its proportion measured as of June 30, 2021, which was 0.42927%.

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	12/31/2021
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, 2021 valuation 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, 2022 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2022 is 0.78%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2021 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, 2022 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%)
$ 107,069,303.00	$ 60,557,815.00	$ 22,166,302.00

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2023, the University recognized pension expense of $12,974,243.00. At June 30, 2023, 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	$ 263,491.82	$ 825,412.00
Changes of Assumptions	4,777,781.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	19,889,614.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	667,024.00	1,006,370.00
Contributions Subsequent to the Measurement Date	12,958,151.86	-
Total	$ 38,556,062.68	$ 1,831,782.00

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, 2024. 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 Expense:

Year Ending June 30:	Amount
2024	$ 6,598,734.00
2025	5,872,788.00
2026	1,760,266.00
2027	9,534,340.82
Total	$ 23,766,128.82

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 $160,992,494.72, of which $49,090,663.60 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $2,945,439.82 and $3,357,801.39, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2022 *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 benefit 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 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 2022 *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 former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 15. The plan options change when the 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 (CJRS), the Legislative Retirement System (LRS), 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 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 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS 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 Act. The University's contractually-required contribution rate for the year ended June 30, 2023 was 6.89% of covered payroll. The University's contributions to the RHBF were $8,519,381.61 for the year ended June 30, 2023.

In fiscal year 2021, 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 the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2023, the University recognized noncapital contributions for RHBF of $1,060,617.00.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the State's 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, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. 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 becoming disabled 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. A general 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; (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, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, 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, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act 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, 2023 was 0.10% of covered payroll. The University's contributions to DIPNC were $123,648.50 for the year ended June 30, 2023.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2023, the University reported a liability of $139,531,878.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. 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, 2022, the University's proportion was 0.58758%, which was decrease of 0.02202 from its proportion measured as of June 30, 2021, which was 0.60960%.

Disability Income Plan of North Carolina: At June 30, 2023, the University reported a liability of $175,594.00 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. 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, 2022, the University's proportion was 0.59027%, which was a decrease of 0.01867 from its proportion measured as of June 30, 2021, which was 0.60894%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2021, 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, 2022 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2021	12/31/2021
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug***	9.5% grading down to 5% by 2031	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return is net of OPEB plan investment expense, including inflation.
*** Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.
N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or 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 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, 2022.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2022 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2022 is 0.78%.

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 the 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 above, 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. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2021 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 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 3.54% at June 30, 2022 compared to 2.16% at June 30, 2021. The projection of cash flow 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 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

The discount rate used to measure the total OPEB liability for DIPNC was 3.08% at June 30, 2022 compared to 3.0% at June 30, 2021. The projection of cash flow 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 not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.08%, 3.0% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.54% was used during the period that the plan was projected to have no fiduciary net position. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

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

Net OPEB Liability

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
RHBF	$ 164,352,325.00	$ 139,531,878.00	$ 119,260,078.00
	1% Decrease (2.08%)	Current Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC	$ 216,222.00	$ 175,594.00	$ 134,865.00

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability

	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	$ 114,856,954.00	$ 139,531,878.00	$ 171,472,458.00

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2023, the University recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	$ (17,628,091.00)
DIPNC	252,971.00
Total OPEB Expense	$ (17,375,120.00)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2023, 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	$ 1,354,669.70	$ 203,266.77	$ 1,557,936.47
Changes of Assumptions	11,171,340.00	11,286.00	11,182,626.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,208,286.00	185,723.00	1,394,009.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	10,398,738.00	30,631.00	10,429,369.00
Contributions Subsequent to the Measurement Date	8,519,381.61	123,648.50	8,643,030.11
Total	$ 32,652,415.31	$ 554,555.27	$ 33,206,970.58

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 386,099.00	$ -	$ 386,099.00
Changes of Assumptions	63,504,243.00	32,530.00	63,536,773.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	6,089,076.00	6,614.00	6,095,690.00
Total	$ 69,979,418.00	$ 39,144.00	$ 70,018,562.00

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ending June 30, 2024. 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
2024	$ (14,185,298.00)	$ 96,053.00
2025	(10,665,189.00)	108,838.00
2026	(12,979,698.00)	79,331.00
2027	(8,016,199.30)	62,337.00
2028	-	16,616.00
Thereafter	-	28,587.77
Total	$ (45,846,384.30)	$ 391,762.77

NOTE 15 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

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.

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 insurance policies included medical professional liability, fine art coverage, boiler and machinery, cyber security, master crime, student and business travel, athlete injury and athletic liability, student accident and health, professional liability, and equipment.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. **Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $13,018,852.75 and on other purchases were $39,476,828.15 at June 30, 2023.

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.

C. **Other Contingent Receivables** - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Pledges to Endowments	$ 8,202,897.73

NOTE 17 - RELATED PARTIES

The University and The University of North Carolina at Greensboro have formed a jointly governed nonprofit organization, Gateway Research Park, Inc. (Gateway), which is also a component unit of the State of North Carolina. The purpose of this organization is to provide a collaborative research environment that fosters academic enrichment, research growth, technology transfer, commercialization, and discovery while encouraging and promoting regional economic development. During the fiscal year, the University paid $25,000.00 in management fees, $669,399.40 in building and equipment maintenance costs, and $1,505,481.00 in operating funds to Gateway, for a total of $2,174,880.40.

In fiscal year 2023, Gateway began a major renovation project that will upgrade laboratories and equipment in the south campus education and research facility for the Joint School of Nanoscience and Nanoengineering. Gateway is funding the project through a grant from the University. Grant expenditures during the year totaled $1,142,105.43.

NOTE 18 - BLENDED COMPONENT UNIT

Condensed combining information for the University's blended component unit for the year ended June 30, 2023, is presented as follows:

Condensed Statement of Net Position
June 30, 2022

	University	Investment Foundation*	Eliminations	Total
ASSETS				
Current Assets	$ 222,480,773.78	$ -	$ -	$ 222,480,773.78
Capital Assets, Net	487,667,582.05	-	-	487,667,582.05
Other Noncurrent Assets	31,377,827.43	173,377,610.54	(19,079,533.97)	185,675,904.00
Total Assets	741,526,183.26	173,377,610.54	(19,079,533.97)	895,824,259.83
TOTAL DEFERRED OUTFLOWS OF RESOURCES	72,364,672.38	-	-	72,364,672.38
LIABILITIES				
Current Liabilities	19,745,554.06	101,469.03	(10,770.98)	19,836,252.11
Long-Term Liabilities, Net	304,780,139.28	-	-	304,780,139.28
Other Noncurrent Liabilities	500,268.94	-	-	500,268.94
Total Liabilities	325,025,962.28	101,469.03	(10,770.98)	325,116,660.33
TOTAL DEFERRED INFLOWS OF RESOURCES	71,880,344.00	-	-	71,880,344.00
NET POSITION				
Net Investment in Capital Assets	389,012,498.43	-	-	389,012,498.43
Restricted - Nonexpendable	1,630,979.14	79,804,418.34	(4,610,686.79)	76,824,710.69
Restricted - Expendable	68,083,290.48	41,167,519.36	(11,409,456.97)	97,841,352.87
Unrestricted	(41,742,218.69)	52,304,203.81	(3,048,619.23)	7,513,365.89
Total Net Position	$ 416,984,549.36	$ 173,276,141.51	$ (19,068,762.99)	$ 571,191,927.88

*Investment Foundation amounts include the portion that is attributable to The North Carolina A&T Real Estate Foundation, Inc., which is discretely presented in Exhibit B-1 of the financial statements. This discretely presented portion is also removed from the financial statements via eliminations.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2023

	University	Investment Foundation*	Eliminations	Total
OPERATING REVENUES				
Tuition and Fees, Net	$ 91,329,847.97	$ -	$ -	$ 91,329,847.97
Federal Appropriations	9,045,108.70	-	-	9,045,108.70
Grants and Contracts	41,442,045.06	-	-	41,442,045.06
Sales and Services, Net	32,828,616.84	-	-	32,828,616.84
Other Operating Revenues	3,342,002.07	-	-	3,342,002.07
Total Operating Revenues	177,987,620.64	-	-	177,987,620.64
OPERATING EXPENSES				
Operating Expenses	372,082,819.25	390,677.15	(42,526.81)	372,430,969.59
Depreciation/Amortization	18,749,127.44	-	-	18,749,127.44
Total Operating Expenses	390,831,946.69	390,677.15	(42,526.81)	391,180,097.03
Operating Loss	(212,844,326.05)	(390,677.15)	42,526.81	(213,192,476.39)
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	126,463,127.24	-	-	126,463,127.24
Student Financial Aid	50,095,834.27	-	-	50,095,834.27
Federal Aid - COVID-19	53,582,446.05	-	-	53,582,446.05
Noncapital Contributions	35,414,781.16	-	-	35,414,781.16
Investment Income (Loss), Net	3,817,241.03	(1,026,838.50)	(23,581.35)	2,766,821.18
Other	(4,458,874.69)	-	-	(4,458,874.69)
Net Nonoperating Revenues	264,914,555.06	(1,026,838.50)	(23,581.35)	263,864,135.21
Capital Contributions	8,006,900.65	-	-	8,006,900.65
Distributions	(13,600,000.00)	13,600,000.00	-	-
Additions to Endowments	8,108,897.15	-	-	8,108,897.15
Total Other Revenues	2,515,797.80	13,600,000.00	-	16,115,797.80
Increase in Net Position	54,586,026.81	12,182,484.35	18,945.46	66,787,456.62
NET POSITION				
Net Position, July 1, 2022	362,445,685.25	161,093,657.16	(19,134,871.15)	504,404,471.26
Net Position, June 30, 2023	$ 417,031,712.06	$ 173,276,141.51	$ (19,115,925.69)	$ 571,191,927.88

*Investment Foundation amounts include the portion that is attributable to The North Carolina A&T Real Estate Foundation, Inc., which is discretely presented in Exhibit B-2 of the financial statements. This discretely presented portion is also removed from the financial statements via eliminations.

NOTE 19 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2023, the University implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.

NOTE 20 - NET POSITION RESTATEMENT

As of July 1, 2022, the University implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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 8 for details on the restated balances related to capital assets and subscription (SBITA) liabilities, respectively.

NOTE 21 - SUBSEQUENT EVENT

On December 7, 2023, the Board of Governors of the University of North Carolina on behalf of the University issued $58,450,000 in tax-exempt General Revenue Bonds, Series 2023. The bonds are dated December 7, 2023, and bear interest from that date. Interest on the bonds will be payable semiannually on each April 1 and October 1, commencing April 1, 2024. The bonds consist of serial bonds that will mature from October 1, 2025, to October 1, 2043, and, with interest rates of 5.00%. The bonds consist of term bonds that will mature from October 1, 2044, to October 1, 2052, and, with interest rates of 5.00%. The bonds were issued to provide funds for the construction of Bluford Residence Hall.

REQUIRED SUPPLEMENTARY INFORMATION

North Carolina Agricultural and Technical State University
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years*

Exhibit C-1

Teachers' and State Employees' Retirement System	**2023**	**2022**	**2021**	**2020**	**2019**
Proportionate Share Percentage of Collective Net Pension Liability	0.40801%	0.42927%	0.42467%	0.42331%	0.42358%
Proportionate Share of TSERS Collective Net Pension Liability	$ 60,557,815.00	$ 20,101,001.00	$ 51,308,617.00	$ 43,884,366.00	$ 42,172,002.00
Covered Payroll	$ 71,468,729.31	$ 72,052,892.39	$ 71,463,975.43	$ 71,568,521.16	$ 69,437,266.26
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	84.73%	27.90%	71.80%	61.32%	60.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.14%	94.86%	85.98%	87.56%	87.61%

	2018	**2017**	**2016**	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.40468%	0.40361%	0.39925%	0.41276%	0.42120%
Proportionate Share of TSERS Collective Net Pension Liability	$ 32,109,096.00	$ 37,095,928.00	$ 14,713,153.00	$ 4,839,285.00	$ 25,571,132.00
Covered Payroll	$ 66,669,178.36	$ 64,194,369.39	$ 64,055,133.27	$ 64,416,518.84	$ 66,743,118.20
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	48.16%	57.79%	22.97%	7.51%	38.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.51%	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 Agricultural and Technical State 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	**2023**	**2022**	**2021**	**2020**	**2019**
Contractually Required Contribution	$ 12,958,151.86	$ 11,706,577.87	$ 10,649,417.50	$ 9,268,877.61	$ 8,795,771.25
Contributions in Relation to the Contractually Determined Contribution	12,958,151.86	11,706,577.87	10,649,417.50	9,268,877.61	8,795,771.25
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 74,557,835.76	$ 71,468,729.31	$ 72,052,892.39	$ 71,463,975.43	$ 71,568,521.16
Contributions as a Percentage of Covered Payroll	17.38%	16.38%	14.78%	12.97%	12.29%

	2018	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 7,485,337.30	$ 6,653,584.00	$ 5,873,784.80	$ 5,861,044.69	$ 5,597,795.49
Contributions in Relation to the Contractually Determined Contribution	7,485,337.30	6,653,584.00	5,873,784.80	5,861,044.69	5,597,795.49
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 69,437,266.26	$ 66,669,178.36	$ 64,194,369.39	$ 64,055,133.27	$ 64,416,518.84
Contributions as a Percentage of Covered Payroll	10.78%	9.98%	9.15%	9.15%	8.69%

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 Agricultural and Technical State 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, 2023

Changes of Benefit Terms:

Cost of Living Increase										
Teachers' and State Employees'	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Retirement System	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLAs) in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan 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 age 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.

In December 2021 for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of September 1, 2021, received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary’s annual retirement allowance.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member’s annual benefit amount, paid by October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each year for the plan. 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 13 for more information on the specific assumptions for the 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 January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of the TSERS 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 the TSERS experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS adopted a number of new actuarial assumptions and methods. 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.

The discount rate for the TSERS 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 2022 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

North Carolina Agricultural and Technical State 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 Seven Fiscal Years**

Retiree Health Benefit Fund	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net OPEB Liability	0.58758%	0.60960%	0.59081%	0.58562%	0.57862%
Proportionate Share of Collective Net OPEB Liability	$ 139,531,878.00	$ 188,462,629.00	$ 163,896,722.00	$ 185,288,154.00	$ 164,837,738.00
Covered Payroll	$ 118,107,153.87	$ 114,941,415.05	$ 116,985,392.68	$ 114,436,560.20	$ 109,834,744.77
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	118.14%	163.96%	140.10%	161.91%	150.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.58%	7.72%	6.92%	4.40%	4.40%

	2018	2017
Proportionate Share Percentage of Collective Net OPEB Liability	0.54571%	0.62362%
Proportionate Share of Collective Net OPEB Liability	$ 178,919,711.00	$ 271,295,897.00
Covered Payroll	$ 105,081,359.60	$ 102,305,367.37
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	170.27%	265.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.52%	2.41%

North Carolina Agricultural and Technical State 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 Seven Fiscal Years**

Disability Income Plan of North Carolina	**2023**	**2022**	**2021**	**2020**	**2019**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.59027%	0.60894%	0.61680%	0.59939%	0.59596%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ 175,594.00	$ (99,464.00)	$ (303,429.00)	$ (258,637.00)	$ (181,029.00)
Covered Payroll	$ 118,107,153.87	$ 114,941,415.05	$ 116,985,392.68	$ 114,436,560.20	$ 109,834,744.77
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.15%	0.09%	0.26%	0.23%	0.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.34%	105.18%	115.57%	113.00%	108.47%

	2018	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.58345%	0.58230%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (356,605.00)	$ (361,608.00)
Covered Payroll	$ 105,081,359.60	$ 102,305,367.37
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.34%	0.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	116.23%	116.06%

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

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

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

Retiree Health Benefit Fund	**2023**	**2022**	**2021**	**2020**	**2019**
Contractually Required Contribution	$ 8,519,381.61	$ 7,428,939.98	$ 7,678,086.53	$ 7,568,954.91	$ 7,175,172.32
Contributions in Relation to the Contractually Determined Contribution	8,519,381.61	7,428,939.98	7,678,086.53	7,568,954.91	7,175,172.32
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 123,648,499.36	$ 118,107,153.87	$ 114,941,415.05	$ 116,985,392.68	$ 114,436,560.20
Contributions as a Percentage of Covered Payroll	6.89%	6.29%	6.68%	6.47%	6.27%

	2018	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 6,645,002.06	$ 6,105,226.99	$ 5,729,100.57	$ 5,586,742.25	$ 5,671,902.69
Contributions in Relation to the Contractually Determined Contribution	6,645,002.06	6,105,226.99	5,729,100.57	5,586,742.25	5,671,902.69
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 109,834,744.77	$ 105,081,359.60	$ 102,305,367.37	$ 101,762,153.99	$ 105,035,234.93
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%

North Carolina Agricultural and Technical State University
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans — *Exhibit C-4*
Last Ten Fiscal Years — *Page 2 of 2*

Disability Income Plan of North Carolina	**2023**	**2022**	**2021**	**2020**	**2019**
Contractually Required Contribution	$ 123,648.50	$ 106,296.44	$ 103,447.27	$ 116,985.39	$ 160,211.18
Contributions in Relation to the Contractually Determined Contribution	123,648.50	106,296.44	103,447.27	116,985.39	160,211.18
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 123,648,499.36	$ 118,107,153.87	$ 114,941,415.05	$ 116,985,392.68	$ 114,436,560.20
Contributions as a Percentage of Covered Payroll	0.10%	0.09%	0.09%	0.10%	0.14%
	2018	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 153,768.64	$ 399,309.17	$ 419,452.01	$ 417,224.83	$ 462,155.03
Contributions in Relation to the Contractually Determined Contribution	153,768.64	399,309.17	419,452.01	417,224.83	462,155.03
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 109,834,744.77	$ 105,081,359.60	$ 102,305,367.37	$ 101,762,153.99	$ 105,035,234.93
Contributions as a Percentage of Covered Payroll	0.14%	0.38%	0.41%	0.41%	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 Agricultural and Technical State 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, 2023

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.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

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 14 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: Consistent with prior years, for the actuarial valuation measured as of June 30, 2022 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.54%, from 2.16% as of June 30, 2021. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. 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 five years. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2022 for DIPNC, the discount rate was updated to 3.08%, from 3.00% as of June 30, 2021. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with the determination that the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members.

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 TSERS 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. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

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 2022 *Annual Comprehensive Financial Report* .

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA

Office of the State Auditor

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Beth A. Wood, CPA
State Auditor

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 Agricultural and Technical State University
Greensboro, 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 Agricultural and Technical State 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 12, 2023. Our report includes a reference to other auditors who audited the consolidated financial statements of The North Carolina A&T Real Estate Foundation, Inc., as described in our report on the University's financial statements. The consolidated financial statements of The North Carolina A&T Real Estate 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 this entity.

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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

December 12, 2023

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This audit required 750 hours at an approximate cost of $102,000.