

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO

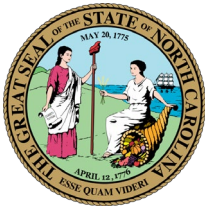
GREENSBORO, NORTH CAROLINA  
FINANCIAL STATEMENT AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2022

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



**NCOSA**  
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



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

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
[www.auditor.nc.gov](http://www.auditor.nc.gov)

## AUDITOR'S TRANSMITTAL

---

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

We have completed a financial statement audit of The University of North Carolina at Greensboro for the year ended June 30, 2022, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor



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

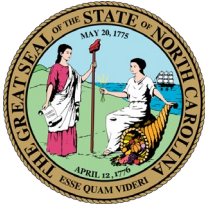
# TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS	
EXHIBITS	
BUSINESS-TYPE ACTIVITIES:	
A-1 STATEMENT OF NET POSITION .....	13
A-2 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION .....	15
A-3 STATEMENT OF CASH FLOWS .....	16
FIDUCIARY ACTIVITIES:	
B-1 STATEMENT OF FIDUCIARY NET POSITION .....	18
B-2 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION .....	19
NOTES TO THE FINANCIAL STATEMENTS .....	20
REQUIRED SUPPLEMENTARY INFORMATION	
C-1 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN) .....	62
C-2 SCHEDULE OF UNIVERSITY CONTRIBUTIONS (COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN) .....	63
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN) .....	64
C-3 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY OR ASSET (COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS) .....	65
C-4 SCHEDULE OF UNIVERSITY CONTRIBUTIONS (COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS) .....	67
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS) .....	69
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	70
ORDERING INFORMATION .....	72



# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



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

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
[www.auditor.nc.gov](http://www.auditor.nc.gov)

## **INDEPENDENT AUDITOR'S REPORT**

---

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

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the financial statements of the business-type activities and fiduciary activities of The University of North Carolina at Greensboro (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of The University of North Carolina at Greensboro, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., which represent 13.52 percent and 0.00 percent, respectively, of the assets and revenues of the University's business-type activities, and 100 percent of the assets of the University's fiduciary activities; The UNCG Excellence Foundation, Inc., which represent 13.05 percent and 1.04 percent, respectively, of the assets and revenues of the University's business-type activities; nor the Capital Facilities Foundation, Inc., which represent 0.95 percent and 0.01 percent, respectively, of the assets and revenues of the University's business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United

States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of North Carolina at Greensboro 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 November 9, 2022 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.

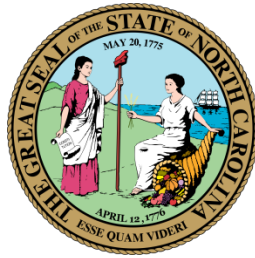


Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

November 9, 2022





# **MANAGEMENT'S DISCUSSION AND ANALYSIS**





## Introduction

The University of North Carolina at Greensboro (the “University”) provides the following management discussion and analysis (MD&A) as an overview of the financial activities for the fiscal year ended June 30, 2022. This discussion, the following financial statements, required supplementary information, and the related notes to the financial statements have been prepared by management and comprise the University’s complete financial report.

The 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 purpose of the MD&A is to identify significant transactions that have financial impact on the institution and to highlight trends. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the related financial statements, required supplementary information, and notes to the financial statements.

## Using the Financial Report

The following financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position

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

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

Also included are the notes to the financial statements and required supplementary information which are essential to a comprehensive understanding of the financial position of the University. GASB standards require that assets and liabilities be separated into current and noncurrent categories and that financial statements be presented on a consolidated basis to focus on the University's business-type activities as a whole. Blended component units of the University include:

- The UNCG Excellence Foundation, Inc.
- The University of North Carolina at Greensboro Weatherspoon Arts Foundation
- Capital Facilities Foundation, Inc.
- The University of North Carolina at Greensboro Investment Fund, Inc.

A description of each blended component unit is discussed in Note 1 - Significant Accounting Policies.

### **COVID-19**

The COVID-19 pandemic had a significant impact on the University's operations and financial results for fiscal year 2022. While most administrative functions were back on campus in fiscal year 2022, the University continued the Fall and Spring semesters in a hybrid of in-person and online classes. The University has received \$73.9 million in federal funding from the Higher Education Emergency Relief Fund (HEERF) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act since inception in 2020. These funds were distributed directly to students most severely affected by the pandemic. In addition, the University also used these funds to cover expenses associated with significant changes to the delivery of instruction due to the transition to remote learning and to partially reimburse housing and dining operations for lost revenue associated with the reduction of on-campus activity by students and staff.

### **Statement of Net Position**

The Statement of Net Position is a snapshot of the University's financial position on the last day of the fiscal year and presents assets, liabilities, deferred inflows and deferred outflows of resources, and the resulting net position. The Statement of Net Position is used to determine the extent of assets available for operations, as well as the amount owed to vendors, bondholders, and other creditors.

A condensed Statement of Net Position is reflected in the following table.

## Condensed Statement of Net Position

	6/30/2022	6/30/2021	Dollar Change	Percent Change
<b>Assets</b>				
Current Assets	\$ 220,163,108	\$ 183,529,791	\$ 36,633,317	20.0%
Noncurrent Capital Assets, Net	811,448,174	826,365,886	(14,917,712)	(1.8%)
Other Noncurrent Assets	405,004,145	415,741,118	(10,736,973)	(2.6%)
<b>Total Assets</b>	<b>1,436,615,427</b>	<b>1,425,636,795</b>	<b>10,978,632</b>	<b>0.8%</b>
<b>Deferred Outflows of Resources</b>				
Deferred Loss on Refunding	4,235,290	4,631,338	(396,048)	(8.6%)
Deferred Outflows Related to Pensions	27,787,953	28,442,865	(654,912)	(2.3%)
Deferred Outflows Related to OPEB	69,884,136	61,859,153	8,024,983	13.0%
<b>Total Deferred Outflows of Resources</b>	<b>101,907,379</b>	<b>94,933,356</b>	<b>6,974,023</b>	<b>7.3%</b>
<b>Liabilities</b>				
Current Liabilities	42,513,808	38,849,758	3,664,050	9.4%
Long-Term Liabilities, Net	640,523,398	660,346,664	(19,823,266)	(3.0%)
Other Noncurrent Liabilities	16,788,034	7,830,963	8,957,071	114.4%
<b>Total Liabilities</b>	<b>699,825,240</b>	<b>707,027,385</b>	<b>(7,202,145)</b>	<b>(1.0%)</b>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows for Irrevocable Split-Interest Agreements	88,390	86,841	1,549	1.8%
Deferred Inflows Related to Pensions	31,941,811	-	31,941,811	
Deferred Inflows Related to OPEB	92,213,822	143,200,524	(50,986,702)	(35.6%)
Deferred Inflows Related to Leases	2,123,584	-	2,123,584	
<b>Total Deferred Inflows of Resources</b>	<b>126,367,607</b>	<b>143,287,365</b>	<b>(16,919,758)</b>	<b>(11.8%)</b>
<b>Net Position</b>				
Net Investment in Capital Assets	519,606,268	524,029,898	(4,423,630)	(0.8%)
Restricted - Nonexpendable	182,180,659	176,776,115	5,404,544	3.1%
Restricted - Expendable	218,159,054	241,571,719	(23,412,665)	(9.7%)
Unrestricted	(207,616,022)	(272,122,331)	64,506,309	(23.7%)
<b>Total Net Position</b>	<b>\$ 712,329,959</b>	<b>\$ 670,255,401</b>	<b>\$ 42,074,558</b>	<b>6.3%</b>

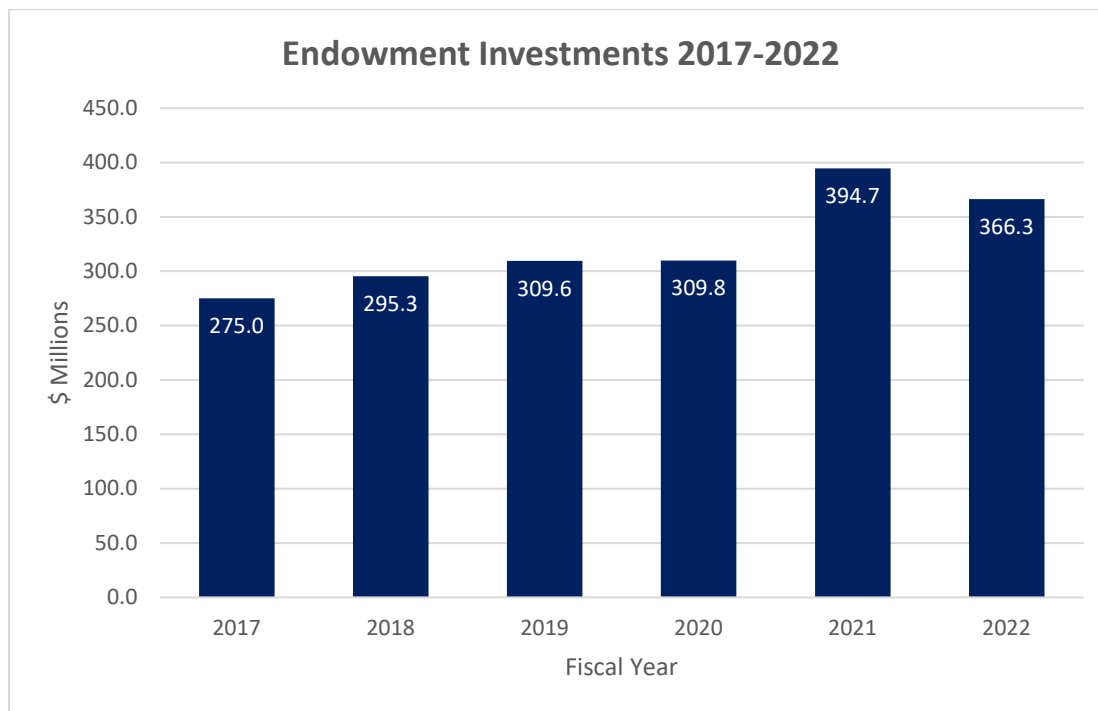
**Assets**

Total assets of the University increased by \$11.0 million over the prior year. This increase is the combination of a \$36.6 million increase in current assets and a decrease of \$25.6 million in noncurrent assets.

Current assets increased due to a \$31.6 million increase in cash and cash equivalents (unrestricted and restricted) and a \$5.1 million increase in accounts receivable. The increase in cash and cash equivalents (unrestricted and restricted) is primarily due to general increase from receipt of federal COVID HEERF funding. The increase in receivables is primarily due to additional pledge receivables and federal grant activity increases, including HEERF funding.

Noncurrent assets decreased due to a \$28.4 million decrease in endowment investments, a \$16.4 million increase in noncurrent restricted cash and cash equivalents, a decrease of \$14.9 million in capital assets, net, and a \$1.3 million increase in all other noncurrent assets. The increase in noncurrent restricted cash and cash equivalents is due to the University's flexibility carryforward of unspent state appropriations from the prior year and a \$12.6 million upfront payment from Morgan Stanley pursuant to a forward delivery agreement of Series 2024 General Revenue Refunding Bonds expected to be issued in fiscal year 2024. The decrease in endowment investments is primarily due to a substantial decrease in unrealized gains on investments due to

the decrease in the financial market at the end of the fiscal year. The change in endowment investments over the last six fiscal years is shown in the graph below.



## Liabilities

Total liabilities of the University decreased by \$7.2 million as of June 30, 2022. Included within this change, noncurrent liabilities decreased by \$10.9 million while current liabilities increased by \$3.7 million. This overall decrease in total liabilities consists of a \$35.7 million increase in the net other postemployment employment benefits (OPEB) liability related to GASB Statement No. 75, a \$38.8 million decrease in net pension liability, a \$17.0 million decrease in notes and bonds payable, a \$13.8 million increase in unearned revenue, and a \$0.9 million decrease in all other liability categories, both current and noncurrent.

The University has recognized its proportionate share of the State of North Carolina's net OPEB liability for fiscal year 2022, which increased when compared to the prior year due to changes in actuarial valuations. Additional information on the University's OPEB plans is provided in Note 14 of the notes to the financial statements and in the required supplementary information.

The University has also recognized its proportionate share of the State of North Carolina's net pension liability for fiscal year 2022, in accordance with GASB Statement No. 68. The overall net pension liability for the State of North Carolina decreased in fiscal year 2022, thus the University's Statement of Net Position reflects a similar decrease in net pension liability. Additional information on the University's pension plans is provided in Note 13 of the notes to the financial statements and in the required supplementary information.

The decrease in notes and bonds payable is related to a reduction in bond principal due to scheduled bond and note principal payments.

The increase in noncurrent unearned revenue is due to receiving a \$12.6 million upfront payment from Morgan Stanley per a forward delivery agreement relating to the General Revenue Refunding Bonds, Series 2024, expected to be issued in fiscal year 2024. As this upfront payment is related to performance obligations as part of an anticipated bond issuance in 2024, this revenue is considered unearned until issuance occurs.

### Deferred Outflows/Inflows of Resources

Deferred outflows of resources increased by \$7.0 million primarily due to increases in deferred outflows related to OPEB, which resulted from changes to actuarial valuations of the plans (refer to Note 14 of the notes to the financial statements for details).

Deferred inflows of resources decreased by \$16.9 million primarily due to the \$51.0 million decrease in deferred inflows related to OPEB and \$32.0 million increase of deferred inflows related to pensions, which resulted from changes to actuarial valuations of the plans (refer to Notes 13 and 14 of the notes to the financial statements for details). Additionally, there was a \$2.1 million increase in deferred inflows related to leases due to the implementation of GASB 87 (refer to Notes 9 and 19).

### Net Position

Total net position increased by \$42.1 million over the prior year. Net position of the University is comprised of the following four categories:

- Net Investment in Capital Assets
- Restricted Nonexpendable
- Restricted Expendable
- Unrestricted

Net investment in capital assets decreased by \$4.4 million due to offset of depreciation/amortization of capital assets and payment of bond and note principal on capital asset-related debt. During fiscal year 2022, there were no significant projects completed.

Restricted nonexpendable net position increased by \$5.4 million and represents endowed gifts received and invested during the year.

Restricted expendable net position decreased by \$23.4 million primarily due to decreases in the value of endowment investments.

The University's unrestricted net position continues to be significantly affected by reporting changes required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Both GASB statements require the University to recognize its proportionate share of the net position of the State Pension Plan and Retiree Health Benefit Fund (RHBF) as a component of unrestricted net position. The total impact of recognizing the University's share of the State's Pension Plan and Retiree Health Benefit was a \$371.5 million decrease in unrestricted net position as of June 30, 2022. Refer to Note 10 - Net Position for additional information.

Unrestricted net position before the recognition of the proportionate share of the State plans was \$163.9 million, up \$35.2 million over the prior year. This amount represents unrestricted funds

held by the University and the blended component units of the University. Refer to assets section above for discussion of increases related to unrestricted cash and receivables that impacted this account.

### **Statement of Revenues, Expenses, and Changes in Net Position**

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

Operating revenues are earned by providing goods and services to the institution's various constituencies in the process of carrying out the mission of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the University.

Nonoperating revenues are revenues earned for which goods and services are not provided. State appropriations and federal financial aid awards are included as nonoperating revenue in accordance with GASB guidelines, even though these revenues are instrumental to the University's mission and operations. Nonoperating expenses are expenses not directly related to the normal operations of the University (e.g., interest expense and other fees on capital asset related debt) and are netted against nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Position. Other revenues include capital appropriations, capital contributions, and additions to the principal of permanent and term endowments.

A condensed Statement of Revenues, Expenses, and Changes in Net Position is reflected in the following table.



**Condensed Statement of Revenues, Expenses, and Changes in Net Position  
For the Years Ended**

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues				
Student Tuition and Fees, Net	\$ 96,820,534	\$ 103,732,998	\$ (6,912,464)	(6.7%)
Grants and Contracts	48,977,377	38,010,534	10,966,843	28.9%
Sales and Services, Net	49,214,233	41,375,783	7,838,450	18.9%
Interest Earnings on Loans	63,916	102,749	(38,833)	(37.8%)
Lease Income	370,314	-	370,314	
Other Operating Revenues	1,180,623	3,128,057	(1,947,434)	(62.3%)
Total Operating Revenues	<u>196,626,997</u>	<u>186,350,121</u>	<u>10,276,876</u>	5.5%
Operating Expenses				
Salaries and Benefits	268,285,900	280,777,060	(12,491,160)	(4.4%)
Supplies and Services	92,720,671	80,136,962	12,583,709	15.7%
Scholarships and Fellowships	50,480,539	41,361,847	9,118,692	22.0%
Utilities	9,141,323	7,862,596	1,278,727	16.3%
Depreciation/Amortization	27,400,550	24,614,292	2,786,258	11.3%
Total Operating Expenses	<u>448,028,983</u>	<u>434,752,757</u>	<u>13,276,226</u>	3.1%
Operating Loss	<u>(251,401,986)</u>	<u>(248,402,636)</u>	<u>(2,999,350)</u>	1.2%
Nonoperating Revenues (Expenses)				
State Appropriations	189,186,045	171,637,734	17,548,311	10.2%
State Aid - Coronavirus	3,857,662	5,155,610	(1,297,948)	(25.2%)
Student Financial Aid	58,832,714	62,427,962	(3,595,248)	(5.8%)
Federal Aid - COVID-19	44,765,756	19,023,663	25,742,093	135.3%
Noncapital Contributions	13,451,193	10,451,671	2,999,522	28.7%
Investment Income (Loss), Net	(20,732,280)	94,288,965	(115,021,245)	(122.0%)
Interest and Fees on Debt	(10,101,297)	(10,648,789)	547,492	(5.1%)
Interest Earned on Leases	25,270	-	25,270	
Other Nonoperating Revenues (Expenses)	570,881	(216,453)	787,334	(363.7%)
Net Nonoperating Revenues	<u>279,855,944</u>	<u>352,120,363</u>	<u>(72,264,419)</u>	(20.5%)
Income Before Other Revenues	<u>28,453,958</u>	<u>103,717,727</u>	<u>(75,263,769)</u>	(72.6%)
Other Revenues				
Capital Appropriations	-	8,179,044	(8,179,044)	(100.0%)
Capital Contributions	7,095,692	22,322,908	(15,227,216)	(68.2%)
Additions to Endowments	6,524,908	8,184,127	(1,659,219)	(20.3%)
Total Other Revenues	<u>13,620,600</u>	<u>38,686,079</u>	<u>(25,065,479)</u>	(64.8%)
Increase in Net Position	<u>42,074,558</u>	<u>142,403,806</u>	<u>(100,329,248)</u>	(70.5%)
Net Position - July 1	<u>670,255,401</u>	<u>527,851,595</u>	<u>142,403,806</u>	27.0%
Net Position - June 30	<u>\$ 712,329,959</u>	<u>\$ 670,255,401</u>	<u>\$ 42,074,558</u>	6.3%
Reconciliation of Changes in Net Position				
Total Revenues	\$ 520,937,118	\$ 588,021,805	\$ (67,084,687)	(11.4%)
Less: Total Expenses	<u>478,862,560</u>	<u>445,617,999</u>	<u>33,244,561</u>	7.5%
Increases in Net Position	<u>\$ 42,074,558</u>	<u>\$ 142,403,806</u>	<u>\$ (100,329,248)</u>	(70.5%)



The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of \$42.1 million at the end of the year. Total revenues for the fiscal year were \$520.9 million, down \$67.1 million (11.4%) from the prior year. Total expenses were \$478.9 million, up \$33.2 million (7.5%) from the prior year. Highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- Operating revenues increased by \$10.3 million (5.5%), from the prior year. Student tuition and fees, net declined by \$6.9 million (6.7%) primarily due to the decline in enrollment. Sales and services, net increased by \$7.8 million (18.9%) due to the campus activities resuming back to normalcy post-COVID pandemic. Grants and contracts (federal, state, and nongovernmental) increased by \$11.0 million (28.9%) over the prior year due to increases in federally funded research activity at the University.
- Overall operating expenses increased by \$13.3 million (3.1%) compared to the prior year. This increase is primarily in the supplies and services category, \$12.6 million (15.7%) of which is related to resuming to normalcy post-pandemic. The salaries and benefits category decreased \$12.5 million (4.4%) primarily due to an overall decrease in pension and OPEB expense from the prior year as a result of changes to actuarial valuations of the plans. The scholarships and fellowships category increased, \$9.1 million (22.0%), primarily due to an increase in awards to students provided by the CARES Act.
- Net nonoperating revenues decreased by \$72.3 million (20.5%). The primary driver of this decrease is the investment loss, which decreased by \$115.0 million compared to the prior year due to poor market performance. Overall state and capital appropriations increased by \$9.4 million (5.2%) primarily due to the legislative increases and increased state appropriations. The University continued to receive federal aid in fiscal year 2022 to combat the COVID-19 pandemic. The \$44.8 million received, including \$30.0 million for direct student aid, was \$25.7 million greater than the prior year due to additional awards for qualified expenditures.
- Other revenues for fiscal year 2022 consist of capital contributions and additions to endowments. The University received capital grants of \$7.1 million during fiscal year 2022 for various repair and renovation projects across the campus. Capital contributions decreased primarily due to the University completing the Nursing and Instructional Building during fiscal year 2021 and all other projects are currently in the design phase only. The University received \$6.5 million in endowment gifts during the fiscal year which was a decrease of \$1.7 million over the prior fiscal year.

### **Capital Assets and Debt Administration**

During fiscal year 2022, there were no significant projects completed. Major projects included in construction and progress consist of Taylor Theatre renovation and new construction for the Arts Place at Tate & Gate, both of which are in the planning and design stage.

On January 18, 2022, the University exercised its Forward Purchase Option for General Revenue Refunding Bonds, Series 2022. This option converted the direct placement General Revenue Refunding Bonds, Series 2021B, to Tax-Exempt General Revenue Refunding Bonds, Series 2022. The 2021B bonds were originally issued to advance refund \$13,280,000 of outstanding General Revenue Bonds, Series 2012A. For additional information, see Note 8B in the notes to the financial statements.

While the University did not issue any new debt in fiscal year 2022, it has been authorized to issue \$92.4 million in General Revenue Refunding Bonds, expected to be issued in January 2024. For additional information, see Note 8E in the notes to the financial statements.

For additional information concerning Capital Assets and Debt Administration, see Notes 6 and 8 in the notes to the financial statements.

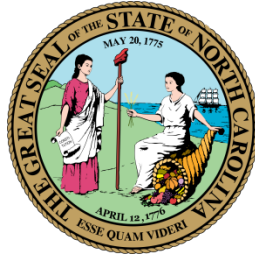
### **Economic and Strategic Outlook**

The COVID-19 pandemic continues to impact University operations and finances. The University operated during the 21-22 academic year with a significant portion of its classes delivered in a hybrid format. Although enrollment declined by 6% for Fall 2022, the credit hours delivered in a face-to-face or hybrid format increased by 13% as operations began the transition to a post-COVID mode.

The University is continuing to address enrollment through the establishment of the Division of Enrollment Management which reports directly to the Chancellor and is responsible for facilitating the recruitment, retention, and graduation of a talented and diverse student population. While overall headcount enrollment declined, the University continues to see an increase in graduate student credit hours, which grew by 3.0% when compared to the Fall 2021 semester.

The University has continued to maintain its commitment to research as evidenced by an increase of \$11 million (28.9%) in grant activity compared to the prior year. The University will continue to invest in research infrastructure to drive faculty scholarship, to create a robust scholarly environment, and to create a more significant community impact.

The University will continue to invest resources in transformative activities designed to optimize student success and to enrich the academic enterprise of the University, while remaining committed to recruiting and graduating a student body that reflects the diversity of our community and increases access to students historically underserved in higher education. Through these investments and commitments, the University will continue to be a national model of how to expertly blend opportunity, excellence, and the impact that transforms the lives of students by increasing their social mobility and contributes to the future prosperity of the state and region.



# **FINANCIAL STATEMENTS**

**The University of North Carolina at Greensboro**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2022**

**Exhibit A-1**  
**Page 1 of 2**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 154,246,188
Restricted Cash and Cash Equivalents	31,073,279
Short-Term Investments	219,667
Restricted Short-Term Investments	9,906,983
Receivables, Net (Note 5)	23,637,978
Inventories	483,241
Notes Receivable, Net (Note 5)	225,358
Leases Receivable (Note 9)	370,414
	<hr/>
Total Current Assets	220,163,108

Noncurrent Assets:

Restricted Cash and Cash Equivalents	32,473,102
Receivables	2,428,278
Endowment Investments	366,330,210
Other Investments	739,500
Notes Receivable, Net (Note 5)	1,073,439
Leases Receivable (Note 9)	1,791,177
Net Other Postemployment Benefits Asset	168,439
Capital Assets - Nondepreciable (Note 6)	75,909,918
Capital Assets - Depreciable, Net (Note 6)	735,538,256
	<hr/>
Total Noncurrent Assets	1,216,452,319

Total Assets	<hr/> 1,436,615,427
--------------	---------------------

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Loss on Refunding	4,235,290
Deferred Outflows Related to Pensions	27,787,953
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	69,884,136
	<hr/>
Total Deferred Outflows of Resources	101,907,379

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	12,425,063
Deposits Payable	730,310
Funds Held for Others	43,433
Unearned Revenue	7,899,729
Interest Payable	2,891,020
Long-Term Liabilities - Current Portion (Note 8)	18,524,253
	<hr/>
Total Current Liabilities	42,513,808

**The University of North Carolina at Greensboro**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2022**

**Exhibit A-1**  
**Page 2 of 2**

Noncurrent Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	51,564
Funds Held for Others	1,725,738
Unearned Revenue	12,612,833
U.S. Government Grants Refundable	2,397,899
Long-Term Liabilities, Net (Note 8)	640,523,398
	<hr/>
Total Noncurrent Liabilities	657,311,432
	<hr/>
Total Liabilities	699,825,240
	<hr/>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows for Irrevocable Split-Interest Agreements	88,390
Deferred Inflows Related to Pensions	31,941,811
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	92,213,822
Deferred Inflows for Leases	2,123,584
	<hr/>
Total Deferred Inflows of Resources	126,367,607
	<hr/>

**NET POSITION**

Net Investment in Capital Assets	519,606,268
Restricted:	
Nonexpendable:	
True Endowments	172,042,729
Student Loans and Other	10,137,930
	<hr/>
Total Restricted-Nonexpendable Net Position	182,180,659
	<hr/>
Expendable:	
Scholarships, Research, Instruction, and Other	198,747,862
Student Loans	379,592
Capital Projects	18,944,543
Debt Service	87,057
	<hr/>
Total Restricted-Expendable Net Position	218,159,054
	<hr/>
Unrestricted	(207,616,022)
	<hr/>
Total Net Position	\$ 712,329,959
	<hr/>

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

***The University of North Carolina at Greensboro  
Statement of Revenues, Expenses, and  
Changes in Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2022***

***Exhibit A-2***

**OPERATING REVENUES**

Student Tuition and Fees, Net (Note 11)	\$ 96,820,534
Federal Grants and Contracts	33,682,994
State and Local Grants and Contracts	11,219,349
Nongovernmental Grants and Contracts	4,075,034
Sales and Services, Net (Note 11)	49,214,233
Interest Earnings on Loans	63,916
Lease Income	370,314
Other Operating Revenues	1,180,623
	<hr/>
Total Operating Revenues	196,626,997

**OPERATING EXPENSES**

Salaries and Benefits	268,285,900
Supplies and Services	92,720,671
Scholarships and Fellowships	50,480,539
Utilities	9,141,323
Depreciation/Amortization	27,400,550
	<hr/>
Total Operating Expenses	448,028,983
	<hr/>
Operating Loss	(251,401,986)

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	189,186,045
State Aid - Coronavirus	3,857,662
Student Financial Aid	58,832,714
Federal Aid - COVID-19	44,765,756
Noncapital Contributions	13,451,193
Investment Loss (Includes \$1,969,278 of Investment Expense)	(20,732,280)
Interest and Fees on Debt	(10,101,297)
Interest Earned on Leases	25,270
Other Nonoperating Revenues	570,881
	<hr/>
Net Nonoperating Revenues	279,855,944
	<hr/>
Income Before Other Revenues	28,453,958
	<hr/>
Capital Contributions	7,095,692
Additions to Endowments	6,524,908
	<hr/>
Total Other Revenues	13,620,600
	<hr/>
Increase in Net Position	42,074,558

**NET POSITION**

Net Position - July 1, 2021	<hr/> 670,255,401
Net Position - June 30, 2022	<hr/> <hr/> \$ 712,329,959

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

***The University of North Carolina at Greensboro***  
***Statement of Cash Flows***  
***Proprietary Fund***  
***For the Fiscal Year Ended June 30, 2022***

***Exhibit A-3***

***Page 1 of 2***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 191,590,130
Payments to Employees and Fringe Benefits	(299,237,227)
Payments to Vendors and Suppliers	(100,324,934)
Payments for Scholarships and Fellowships	(50,480,539)
Loans Issued	(91,513)
Collection of Loans	299,079
Interest Earned on Loans	63,916
William D. Ford Direct Lending Receipts	72,156,930
William D. Ford Direct Lending Disbursements	(72,156,930)
Related Activity Agency Disbursements	(3,059,786)
Other Receipts	2,716,224

Net Cash Used by Operating Activities	(258,524,650)
---------------------------------------	---------------

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	189,186,045
State Aid - Coronavirus	3,857,662
Student Financial Aid	58,248,537
Federal Aid - COVID-19	44,765,756
Noncapital Contributions	11,520,758
Additions to Endowments	6,524,908
Payments for Annuities and Life Income Payable Under Split-Interest Agreements	(1,139,359)

Total Cash Provided by Noncapital Financing Activities	312,964,307
--	-------------

**CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES**

Capital Contributions	19,475,136
Proceeds from Sale of Capital Assets	13,895
Proceeds from Lease Arrangements	357,577
Acquisition and Construction of Capital Assets	(5,236,560)
Principal Paid on Capital Debt and Leases	(16,174,055)
Interest and Fees Paid on Capital Debt and Leases	(12,074,813)

Net Cash Used by Capital Financing and Related Financing Activities	(13,638,820)
---	--------------

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	17,213,417
Investment Income	1,509,726
Purchase of Investments and Related Fees	(11,521,310)

Net Cash Provided by Investing Activities	7,201,833
---	-----------

Net Increase in Cash and Cash Equivalents	48,002,670
---	------------

Cash and Cash Equivalents - July 1, 2021	169,789,899
--	-------------

Cash and Cash Equivalents - June 30, 2022	\$ 217,792,569
---	----------------



**The University of North Carolina at Greensboro**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit A-3**  
**Page 2 of 2**

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

Operating Loss	\$ (251,401,986)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	27,400,550
Lease Income (Amortized Deferred Inflows of Resources)	(370,314)
Allowances, Write-Offs, and Amortizations	(70,246)
Other Nonoperating Expenses	(13,895)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(3,334,760)
Inventories	99,330
Notes Receivable, Net	460,500
Net Other Postemployment Benefits Asset	346,411
Deferred Outflows Related to Pensions	654,912
Deferred Outflows Related to Other Postemployment Benefits	(8,024,983)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	569,650
Funds Held for Others	(3,059,786)
Unearned Revenue	1,231,954
Net Pension Liability	(38,772,939)
Net Other Postemployment Benefits Liability	37,610,455
Compensated Absences	(1,850,279)
Deposits Payable	47,600
Workers' Compensation Liability	(1,001,933)
Deferred Inflows Related to Pensions	31,941,811
Deferred Inflows Related to Other Postemployment Benefits	(50,986,702)
Net Cash Used by Operating Activities	<u><u>\$ (258,524,650)</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through the Assumption of a Liability	\$ 95,692
Assets Acquired through a Gift	233,389
Change in Fair Value of Investments	(30,474,675)
Loss on Disposal of Capital Assets	(582,655)
Amortization of Bond Premiums	(2,271,647)
Amortization of Deferred Loss on Refunding Bonds	(396,048)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(1,930,326)

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

***The University of North Carolina at Greensboro***  
***Statement of Fiduciary Net Position***  
***Fiduciary Fund - Custodial Funds***  
***June 30, 2022***

***Exhibit B-1***

	<b>External Investment Pool Funds</b>
<b>ASSETS</b>	
Investments (Note 2):	
Pooled Investment Funds	\$ 700,890
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total Deferred Outflows of Resources	-
<b>LIABILITIES</b>	
Total Liabilities	-
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Total Deferred Inflows of Resources	-
<b>NET POSITION</b>	
Restricted for:	
Pool Participants	700,890
Total Fiduciary Net Position	\$ 700,890

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

***The University of North Carolina at Greensboro  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund - Custodial Funds  
For the Fiscal Year Ended June 30, 2022***

***Exhibit B-2***

	<b>External Investment Pool Funds</b>
<b>ADDITIONS</b>	
Investment Activity:	
Investment Loss	\$ (33,353)
Investment Expenses	(3,620)
	<hr/>
Total Investment Loss	(36,973)
	<hr/>
<b>DEDUCTIONS</b>	
Withdrawals and Distributions	30,474
	<hr/>
Decrease in Fiduciary Net Position	(67,447)
	<hr/>
<b>NET POSITION</b>	
Net Position - July 1, 2021	768,337
	<hr/>
Net Position - June 30, 2022	\$ 700,890
	<hr/> <hr/>

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



# **NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina at Greensboro (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 blended in the University's financial statements. See below for further discussion of the University's component units. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

**Blended Component Units** - Although legally separate, the following component units of the University are reported as if they were part of the University: The UNCG Excellence Foundation, Inc.; The University of North Carolina at Greensboro Weatherspoon Arts Foundation; the Capital Facilities Foundation, Inc.; and The University of North Carolina at Greensboro Investment Fund, Inc.

The UNCG Excellence Foundation, Inc. is governed by a 38-member board consisting of two ex officio directors and 36 appointed directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro as long as The University of North Carolina at Greensboro qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954 (or corresponding provisions of any future United States Internal Revenue law), its financial statements have been blended with those of the University.

The University of North Carolina at Greensboro Weatherspoon Arts Foundation is governed by a 16-member board consisting of three ex officio directors and 13 appointed directors. The Foundation's purpose is to acquire by gift, purchase, lease, loan, or other means of conveyance works of art and to maintain and enhance the arts collection teaching, research, and public services purposes exclusively for the use and benefit of The University of North Carolina at Greensboro. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The Capital Facilities Foundation, Inc. is governed by a nine-member board consisting of five ex officio directors and four appointed directors. The Foundation's purpose is to enhance the University's educational mission through assisting with the acquisition, development, financing, construction, management, and operation of capital assets for the University. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The University of North Carolina at Greensboro Investment Fund, Inc. (the Fund) was formed to consolidate the endowment pool investments of The Endowment Fund of The University of North Carolina at Greensboro, the blended component units of the University, and certain affiliated entities and is classified as a governmental external investment pool. The Fund is the fiscal agent for the pool, and all units of the pool are owned by internal and external participants. The internal participants of the pool are The Endowment Fund of The University of North Carolina at Greensboro and The UNCG Excellence Foundation, Inc. The external participant of the pool is The Associated Campus Ministries of The University of North Carolina at Greensboro. The Fund is governed by an 11-member board consisting of four ex officio directors and seven appointed directors. The Investment Fund'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. Because the directors of the Investment Fund are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Investment Fund's primary purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

An electronic version of the separate financial statements for the Foundations and the Investment Fund is available by accessing the UNCG Finance and Administration home page (<https://faa.uncg.edu/>) and clicking on "Foundation Finance", then "Audit Reports", or by calling (336) 334-5200.

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

**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). GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and GASB Statement No. 84, *Fiduciary Activities*, require the presentation of both proprietary and fiduciary fund financial statements. See below for a description of each fund.

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

**Fiduciary Fund** - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of individuals, affiliated organizations, and other external

parties. Custodial funds include the external portion of an investment pool sponsored by The Associated Campus Ministries of The University of North Carolina at Greensboro.

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

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

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

- E. Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Investments in partnerships are stated at net asset value based on the fair value of the partnership's assets. Fair value of the partnership investments is based upon the General Partner's best judgement in estimating the fair value of these investments. 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, pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied, and accrued interest receivable from investments and student loans. Receivables are recorded net of estimated uncollectible amounts.

- G. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at cost using the last invoice cost method.



- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the leased asset into service.

The University capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of \$5,000 or greater and an estimated useful life of more than one year.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	25-50 years
Machinery and Equipment	2-20 years
General Infrastructure	25-50 years

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

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, and endowment and other restricted investments.
- J. Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

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

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

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

Revenue bonds payable are reported net of unamortized premiums. The University amortizes bond premiums over the life of the bonds using the proportionate-to-stated 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 2021 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 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 2021 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 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:

**Proprietary Fund**

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

**Fiduciary Fund**

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

**O. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the

University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

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

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

- Q. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as the Fuel Depot, Postal Operations, Printing Services, Telecommunications, and Telephone Services. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

## NOTE 2 - DEPOSITS AND INVESTMENTS

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

At June 30, 2022, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$208,074,130, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.9 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Cash on hand at June 30, 2022 was \$66,768. The carrying amount of the University's deposits not with the State Treasurer was \$9,651,671, and the bank balance was \$9,642,101. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2022, \$8,404,379 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

- B. Investments** - 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 UNCG Excellence Foundation, Inc. and The University of North Carolina at Greensboro Investment Fund, Inc. 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's formal policy limits some fixed income holdings to those that have a high quality rating (AA/Aa or better) and those with a sufficient duration (four years or more) to provide effective protection in a deflationary environment.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's formal policy limits some fixed income holdings to those that have a high quality rating (AA/Aa or better) and those with a sufficient duration (four years or more) to provide effective protection in a deflationary environment.

**External Investment Pool** - The University of North Carolina at Greensboro Investment Fund, Inc., an External Investment Pool sponsored by the University, was established on July 1, 1992. 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. Endowment funds of the University, as well as those of The UNCG Excellence Foundation, Inc., represent the Pool's internal participants. The Associated Campus Ministries of The University of North Carolina at Greensboro is not included in the University's reporting entity and represents the Pool's external participant. Fund ownership of the Pool is measured using the unit market value method. Under this method, each participating fund's investment balance is determined based on the number of units of ownership purchased when joining the Pool. Thereafter, the pooled assets are valued monthly, and a new market value is determined. The external portion of the Pool is presented in the accompanying fiduciary fund financial statements.

The External Investment Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the 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. As of September 1, 2013, the Board along with Cambridge Associates Resources, LLC, created a limited partnership, UNCG Endowment Partners, LP. As part of the agreement, Cambridge is the General Partner and The University of North Carolina at Greensboro Investment Fund, Inc. is the Limited Partner. The University of North Carolina at Greensboro Investment Fund, Inc. contributed its investment portfolio in exchange for its interest in UNCG Endowment Partners, LP. The Board's primary role is to oversee the allocation of the Pool's portfolio among the asset classes, investment vehicles, and investment managers.

Cambridge Associates Resources, LLC serves as the outsourced chief investment officer for the Pool and provides the University with monthly statements defining income and fair value information, which is then allocated among the fund's participants. There are no involuntary participants in the Pool. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Pool's investments. The annual financial report for the External Investment Pool may be obtained from the



Finance and Administration Office, 821 S. Josephine Boyd Street, Greensboro, NC 27403, or by calling (336) 334-5200.

The following tables in this section present the University's External Investment Pool in total, including both proprietary and fiduciary funds. See Note 2C below for further details regarding investments by fund type within the External Investment Pool.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2022, for the External Investment Pool.

**External Investment Pool**

Investment Type	Amount
Partnerships:	
UNCG Endowment Partners, LP	<u>\$ 367,991,367</u>

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

**Non-Pooled Investments**

Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Money Market Funds	\$ 167	\$ 167	\$ -	\$ -
Mutual Bond Funds	<u>2,210,701</u>	<u>-</u>	<u>498,097</u>	<u>1,712,604</u>
<b>Total Debt Securities</b>	<b>2,210,868</b>	<b><u>\$ 167</u></b>	<b><u>\$ 498,097</u></b>	<b><u>\$ 1,712,604</u></b>
Other Securities				
Mutual Funds	4,338,032			
Corporate Securities:				
Common Stocks	2,617,483			
Investments in Real Estate	<u>739,500</u>			
<b>Total Non-Pooled Investments</b>	<b><u>\$ 9,905,883</u></b>			

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

	Amount	AAA Aaa	AA Aa	A	BB/Ba and below
Money Market Funds	\$ 167	\$ 167	\$ -	\$ -	\$ -
Mutual Bond Funds	<u>2,210,701</u>	<u>649,259</u>	<u>638,824</u>	<u>781,280</u>	<u>141,338</u>
Totals	<u>\$ 2,210,868</u>	<u>\$ 649,426</u>	<u>\$ 638,824</u>	<u>\$ 781,280</u>	<u>\$ 141,338</u>

Rating Agency: Standard & Poor's and Moody's Rating Services



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

	Amount
<b>Investment Type</b>	
Debt Securities	
Money Market Funds	\$ 167
Mutual Bond Funds	2,210,701
Other Securities	
Mutual Funds	4,338,032
Corporate Securities:	
Common Stocks	2,617,483
Investments in Real Estate	739,500
Partnerships:	
UNCG Endowment Partners, LP	367,991,367
<b>Total Investments</b>	<u>\$ 377,897,250</u>

**C. Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the University as of June 30, 2022, is as follows:

	Proprietary Fund	Fiduciary Fund	Total
Cash on Hand	\$ 66,768	\$ -	\$ 66,768
Amount of Deposits with Private Financial Institutions	9,651,671	-	9,651,671
Deposits in the Short-Term Investment Fund	208,074,130	-	208,074,130
External Investment Pool	367,290,477	700,890	367,991,367
Non-Pooled Investments	9,905,883	-	9,905,883
<b>Total Deposits and Investments</b>	<u>\$ 594,988,929</u>	<u>\$ 700,890</u>	<u>\$ 595,689,819</u>
Deposits			
Current			
Cash and Cash Equivalents	\$ 154,246,188	\$ -	\$ 154,246,188
Restricted Cash and Cash Equivalents	31,073,279	-	31,073,279
Noncurrent:			
Restricted Cash and Cash Equivalents	32,473,102	-	32,473,102
<b>Total Deposits</b>	<u>217,792,569</u>	<u>-</u>	<u>217,792,569</u>
Investments			
Current			
Short-Term Investments	219,667	-	219,667
Restricted Short-Term Investments	9,906,983	-	9,906,983
Noncurrent:			
Endowment Investments	366,330,210	-	366,330,210
Pooled Investment Funds	-	700,890	700,890
Other Investments	739,500	-	739,500
<b>Total Investments</b>	<u>377,196,360</u>	<u>700,890</u>	<u>377,897,250</u>
<b>Total Deposits and Investments</b>	<u>\$ 594,988,929</u>	<u>\$ 700,890</u>	<u>\$ 595,689,819</u>

### NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the University's investments are recorded at fair value as of June 30, 2022. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

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

The following table summarizes the University's proprietary and fiduciary fund investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2022:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Investments by Fair Value Level</b>				
Debt Securities				
Money Market Funds	\$ 167	\$ 167	\$ -	\$ -
Mutual Bond Funds	2,210,701	2,210,701	-	-
<b>Total Debt Securities</b>	2,210,868	2,210,868	-	-
Other Securities				
Mutual Funds	4,338,032	4,338,032	-	-
Corporate Securities:				
Common Stocks	2,617,483	2,617,483	-	-
Investments in Real Estate	739,500	-	-	739,500
<b>Total Investments by Fair Value Level</b>	9,905,883	\$ 9,166,383	\$ -	\$ 739,500
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Partnerships:				
UNCG Endowment Partners, LP	367,991,367			
<b>Investments as a Position in an External Investment Pool</b>				
Short-Term Investment Fund	208,074,130			
<b>Total Investments Measured at Fair Value</b>	\$ 585,971,380			

**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.

**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.

**Investments in Real Estate** - The UNCG Excellence Foundation, Inc. currently holds four parcels of land that were gifted to the Foundation. Three parcels are life estates which were appraised at the time of gift and recorded at a value of \$739,000. These properties will be sold at the time the donor no longer lives on the property. The fourth parcel was gifted as part of an estate and is valued at the tax value of \$500.

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2022.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Partnerships:				
UNCG Endowment Partners, LP	<u>\$367,991,367</u>	N/A	N/A	N/A

**UNCG Endowment Partners, LP** - The UNCG Endowment Partners, LP (the "Partnership") will generally seek to achieve long-term equity-like returns through broadly diversifying by asset class, investment manager, geography, economic sector, and security. The Partnership seeks to achieve its objective by allocating its assets among unaffiliated limited partnerships, unaffiliated limited liability companies, unaffiliated private equity and/or venture capital funds, including offshore funds, other investment entities and/or separate accounts managed pursuant to investment management agreements (collectively, the "Underlying Funds"), as well as publicly-traded stocks, exchange-traded funds, mutual funds, bonds, and derivative contracts.

#### NOTE 4 - ENDOWMENT INVESTMENTS

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the University's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's pooled endowment funds for 2022 and 2021 are equal to 3.90 percent and 4.00 percent, respectively, of the average market value of the Investment Pool at June 30 for the past three years. Under this policy, the prior year spending percentage may be increased by the inflation rate to determine the current year spending percentage. For 2022, spending, the Board approved spending to remain flat from the prior year. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. 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, 2022, net appreciation of \$158,592,345 was available to be spent, of which \$151,432,086 was classified in net position as restricted expendable for student loans and 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, 2022 the amount of investment losses reported against the nonexpendable endowment balances was \$485,392.

#### NOTE 5 - RECEIVABLES

Receivables at June 30, 2022, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 3,298,148	\$ 867,775	\$ 2,430,373
Student Sponsors	6,162,204	-	6,162,204
Intergovernmental	10,944,171	-	10,944,171
Pledges	2,735,093	13,839	2,721,254
Investment Earnings	2,108	-	2,108
Interest on Loans	95,604	-	95,604
Other	1,282,264	-	1,282,264
<b>Total Current Receivables</b>	<b>\$ 24,519,592</b>	<b>\$ 881,614</b>	<b>\$23,637,978</b>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Federal Loan Programs	\$ 132,769	\$ 33,993	\$ 98,776
Institutional Student Loan Programs	325,720	199,138	126,582
<b>Total Notes Receivable - Current</b>	<b>\$ 458,489</b>	<b>\$ 233,131</b>	<b>\$ 225,358</b>
<b>Notes Receivable - Noncurrent:</b>			
Federal Loan Programs	\$ 1,134,275	\$ 60,836	\$ 1,073,439

**NOTE 6 - CAPITAL ASSETS**

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

	Balance July 1, 2021 (as Restated)	Increases	Decreases	Balance June 30, 2022
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 50,637,030	\$ -	\$ -	\$ 50,637,030
Art, Literature, and Artifacts	24,513,160	150,191	-	24,663,351
Construction in Progress	584,414	1,238,744	1,213,621	609,537
<b>Total Capital Assets, Nondepreciable</b>	<b>75,734,604</b>	<b>1,388,935</b>	<b>1,213,621</b>	<b>75,909,918</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	916,393,530	1,206,371	-	917,599,901
Machinery and Equipment	68,505,368	3,976,925	2,274,489	70,207,804
General Infrastructure	86,209,121	7,250	-	86,216,371
Right-to-Use Leased Land	362,827	-	-	362,827
Right-to-Use Leased Buildings	6,920,179	6,250	-	6,926,429
Right-to-Use Leased Machinery and Equipment	334,830	89,442	-	424,272
<b>Total Capital Assets, Depreciable</b>	<b>1,078,725,855</b>	<b>5,286,238</b>	<b>2,274,489</b>	<b>1,081,737,604</b>
<b>Less Accumulated Depreciation/Amortization for:</b>				
Buildings	227,967,435	19,574,045	-	247,541,480
Machinery and Equipment	38,771,528	3,446,845	1,677,939	40,540,434
General Infrastructure	53,737,774	3,002,703	-	56,740,477
Right-to-Use Leased Land	-	72,565	-	72,565
Right-to-Use Leased Buildings	-	1,176,442	-	1,176,442
Right-to-Use Leased Machinery and Equipment	-	127,950	-	127,950
<b>Total Accumulated Depreciation/Amortization</b>	<b>320,476,737</b>	<b>27,400,550</b>	<b>1,677,939</b>	<b>346,199,348</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>758,249,118</b>	<b>(22,114,312)</b>	<b>596,550</b>	<b>735,538,256</b>
<b>Capital Assets, Net</b>	<b>\$ 833,983,722</b>	<b>\$ (20,725,377)</b>	<b>\$ 1,810,171</b>	<b>\$ 811,448,174</b>

At year-end, the total amount of leased assets was \$7,713,528 and the related accumulated amortization was \$1,376,957.

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	Amount
<b>Current Accounts Payable and Accrued Liabilities</b>	
Accounts Payable	\$ 1,197,719
Accounts Payable - Capital Assets	18,265
Accrued Payroll	6,411,705
Other	4,797,374
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<b>\$ 12,425,063</b>
<b>Noncurrent Accounts Payable and Accrued Liabilities</b>	
Contract Retainage	\$ 51,564

## NOTE 8 - LONG-TERM LIABILITIES

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

	Balance July 1, 2021 (as Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 244,635,000	\$ -	\$ 10,740,000	\$ 233,895,000	\$ 10,295,000
Bonds from Direct Placements	28,821,861	-	3,800,906	25,020,955	4,790,336
Plus: Unamortized Premium	21,952,126	-	2,271,647	19,680,479	-
Total Revenue Bonds Payable and Bonds from Direct Placements, Net	295,408,987	-	16,812,553	278,596,434	15,085,336
Notes from Direct Borrowings	8,535,015	-	237,649	8,297,366	243,543
Total Long-Term Debt	303,944,002	-	17,050,202	286,893,800	15,328,879
Other Long-Term Liabilities					
Annuities and Life Income Payable	4,908,453	-	1,139,359	3,769,094	-
Leases Payable	7,617,837	95,692	1,395,500	6,318,029	1,335,436
Employee Benefits					
Compensated Absences	16,311,054	10,817,860	12,668,139	14,460,775	957,478
Net Pension Liability	64,088,953	-	38,772,939	25,316,014	-
Net Other Postemployment Benefits Liability	283,448,805	35,680,129	-	319,128,934	-
Workers' Compensation	4,162,938	-	1,001,933	3,161,005	902,460
Total Other Long-Term Liabilities	380,538,040	46,593,681	54,977,870	372,153,851	3,195,374
<b>Total Long-Term Liabilities, Net</b>	<b>\$ 684,482,042</b>	<b>\$ 46,593,681</b>	<b>\$ 72,028,072</b>	<b>\$ 659,047,651</b>	<b>\$ 18,524,253</b>

Additional information regarding leases payable 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 and Bonds from Direct Placements - The University was indebted for revenue bonds payable and bonds from direct placements for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2022	Principal Outstanding June 30, 2022
Revenue Bonds Payable						
General Revenue Bonds						
Student Recreation Center and Housing	2014	4.00%-5.00%	04/01/2039	\$ 125,685,000	\$ 25,275,000	\$ 100,410,000
Refund Series 2009A - Housing and Parking	2016	2.50%-5.00%	04/01/2034	21,575,000	3,220,000	18,355,000
Refund Series 2011 and 2012A - Dining, Housing, Police Building, and Athletics	2017	4.00%-5.00%	04/01/2036	77,175,000	2,665,000	74,510,000
Housing	2018	3.00%-5.00%	04/01/2043	45,260,000	4,640,000	40,620,000
Total General Revenue Bonds				269,695,000	35,800,000	233,895,000
Bonds from Direct Placements						
Refund Series 2005A and 2012B - Housing, Parking, and Athletics	2015	1.75%	04/01/2026	10,109,000	7,014,000	3,095,000
Refund Series 2010B-2 - Elliott University Center and Various Construction Projects	2020	1.72%	04/01/2026	9,548,000	3,071,045	6,476,955
Refund Series 2011 - Dining and Housing	2021A	1.29%	04/01/2027	1,966,000	319,000	1,647,000
Refund Series 2012A - Housing, Athletics, Policy Building, and Dining	2021B/2022*	2.10%	04/01/2037	13,921,000	119,000	13,802,000
Total Bonds from Direct Placements				35,544,000	10,523,045	25,020,955
<b>Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)</b>				<b>\$ 305,239,000</b>	<b>\$ 46,323,045</b>	<b>258,915,955</b>
Plus: Unamortized Premium						19,680,479
<b>Total Revenue Bonds Payable and Bonds from Direct Placements, Net</b>						<b>\$ 278,596,434</b>

\*The 2021B bonds were converted to tax-exempt 2022 bonds on January 18, 2022. The interest rate in effect at June 30, 2022 is included.

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

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2022
Improvement Advance	PNC	2.48%	04/01/2027	\$ 9,460,000	\$ 8,297,366

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

Fiscal Year	Annual Requirements					
	Revenue Bonds Payable		Bonds from Direct Placements		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 10,295,000	\$ 10,881,650	\$ 4,790,336	\$ 476,655	\$ 243,543	\$ 205,775
2024	10,810,000	10,366,900	3,410,089	391,128	249,583	199,735
2025	11,355,000	9,826,400	3,474,927	329,713	255,772	193,545
2026	11,915,000	9,258,650	3,521,603	267,077	262,116	187,202
2027	12,500,000	8,676,600	1,470,000	203,566	7,286,352	180,701
2028-2032	68,715,000	33,688,750	5,999,000	630,798	-	-
2033-2037	76,460,000	16,696,213	2,355,000	247,275	-	-
2038-2042	28,925,000	3,820,100	-	-	-	-
2043	2,920,000	146,000	-	-	-	-
<b>Total Requirements</b>	<b>\$ 233,895,000</b>	<b>\$ 103,361,263</b>	<b>\$ 25,020,955</b>	<b>\$ 2,546,212</b>	<b>\$ 8,297,366</b>	<b>\$ 966,958</b>

- E. Debt Authorized but Unissued** - At June 30, 2022, the University had \$92,385,000 in authorized but unissued revenue bonds.

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

**Revenue Bonds Payable** - The indenture agreements for the University's outstanding revenue bonds of \$233,895,000 contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when the University: (1) fails to pay the principal, interest, or premium on any bonds when due and payable, or (2) fails to observe and perform any other covenant, condition, agreement, or provision contained in the bonds or in the general indenture within thirty days after written notice has been given to the University of North Carolina Board of Governors by the Trustee of the bonds.

Upon the occurrence of any event of default, the Trustee may, or if required by a majority of the owners of the bonds, must, declare the bonds to be due and payable immediately. The Trustee may exercise all remedies available by law or in the equity provided under the agreement, including a sum sufficient to pay all matured installments of the principal of and interest on all bonds which will have become due otherwise than by reason of such declaration and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee.

**Bonds from Direct Placements** - The indenture agreements for the University's outstanding bonds from direct placements of \$25,020,955 contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when the University: (1) fails to pay the principal, interest, or premium on any bonds when due and payable, or (2) fails to observe and perform any other covenant, condition, agreement, or provision contained in the bonds or in the general indenture within thirty days after written notice has been given to the University of North Carolina Board of Governors by the Trustee of the bonds.

Upon the occurrence of any event of default, the Trustee may, or if required by a majority of the owners of the bonds, must, declare the bonds to be due and payable immediately. The Trustee may exercise all remedies available by law or in the equity provided under the agreement, including a sum sufficient to pay all matured installments of the principal of and interest on all bonds which will have become due otherwise than by reason of such declaration and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee.

**Notes from Direct Borrowings** - The University's outstanding notes from direct borrowings of \$8,297,366 contain provisions that in an event of default, the Bank may by written notice to the University, declare an amount equal to all remaining Base Rentals then due and payable to be immediately due and payable. The Bank may have reasonable access to and inspect, examine and make copies of the books and records and accounts of the University during regular business hours of the University if reasonably necessary. The Bank may also take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the University made provided under the Use Agreement.

**G. Annuities Payable** - The annuity and life income payable balance consists of 114 charitable annuity agreements and 13 charitable remainder unitrusts with a market value of \$6.6 million. The \$3.8 million annuity and life income payable liability is the expected present value payable to donors based upon their age, the agreed-on payment rate, and the applicable federal rate.



**NOTE 9 - LEASES**

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

Classification:	Number of Lease Contracts	Lease Receivable (Liability) June 30, 2022	Current Portion	Lease Terms <sup>(1)</sup>	Interest Rate Ranges
Lessor:					
Land	2	\$ 416,171	\$ 49,929	9.5 Years	1.011% - 1.804%
Buildings	6	1,745,420	320,485	5.6 Years	1.011% - 1.493%
<b>Total</b>	<b>8</b>	<b>\$ 2,161,591</b>	<b>\$ 370,414</b>		
Lessee:					
Right-to-Use Land	1	\$ (290,249)	\$ (71,125)	4 Years	1.335%
Right-to-Use Buildings	9	(5,753,773)	(1,138,895)	5.5 Years	0.593% - 1.722%
Right-to-Use Machinery and Equipment	5	(274,007)	(125,416)	2.9 Years	0.593% - 1.177%
<b>Total</b>	<b>15</b>	<b>\$ (6,318,029)</b>	<b>\$ (1,335,436)</b>		

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

**A. Lease Receivable** - During the year the University did not recognize any variable payment amounts.

**B. Lease Liability** - During the year the University did not recognize any variable payment amounts.

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

Fiscal Year	Principal	Interest	Total
2023	\$ 1,335,436	\$ 81,975	\$ 1,417,411
2024	1,269,030	65,402	1,334,432
2025	1,237,124	49,356	1,286,480
2026	1,241,096	33,266	1,274,362
2027	375,597	17,228	392,825
2028-2032	859,746	21,271	881,017
<b>Total</b>	<b>\$ 6,318,029</b>	<b>\$ 268,498</b>	<b>\$ 6,586,527</b>

**C. Sublease** - The University has one sublease as detailed below. The original lease and sublease are included in the summaries listed in this note disclosure.

The University currently leases approximately 7,504 square feet of office and lab space in the Plants for Human Health Institute. The space is located at 600 Laureate Way, Kannapolis, North Carolina. At the beginning of the current fiscal year there were approximately 7.3 years remaining on the lease. The University recorded a lease liability of \$1,538,661 at July 1, 2021. As of June 30, 2022, the value of the lease liability was \$1,336,961. The University is required to make monthly principal and interest payments of \$18,447 to Dole Food Company, Inc. The lease has an interest rate of 1.493%. The value of the right-to-use asset as of the end of the current fiscal year was \$1,328,843 and had

accumulated amortization of \$209,817. The University subleased part of this building as detailed below.

The University currently subleases approximately 5,646 square feet of office and lab space in the Plants for Human Health Institute building to North Carolina Agricultural and Technical State University (NC A&T). At the beginning of the current fiscal year there were approximately seven years remaining on the sublease. The University receives annual payments of \$166,557. The lease has an interest rate of 1.4930%. The University recognized \$146,564 in lease revenue and \$9,304 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the University's receivable for lease payments was \$911,036. Also, the University has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of deferred inflow of resources was \$921,725.

#### 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	\$ (29,469,872)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(342,020,861)</u>
Effect on Unrestricted Net Position	(371,490,733)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>163,874,711</u>
<b>Total Unrestricted Net Position</b>	<b><u>\$ (207,616,022)</u></b>

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
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees, Net</b>	<u>\$143,937,305</u>	<u>\$ 46,760,504</u>	<u>\$ 356,267</u>	<u>\$96,820,534</u>
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$ 32,408,108	\$ 10,380,318	\$ 94,528	\$21,933,262
Dining	17,162,563	5,044,230	44,805	12,073,528
Student Union Services	34,576	-	-	34,576
Health, Physical Education, and Recreation Services	589,174	-	-	589,174
Parking	4,387,525	-	156,673	4,230,852
Athletic	1,103,990	-	-	1,103,990
Other	3,145,043	455,033	11,127	2,678,883
Sales and Services of Education and Related Activities	<u>6,569,968</u>	<u>-</u>	<u>-</u>	<u>6,569,968</u>
<b>Total Sales and Services, Net</b>	<u>\$ 65,400,947</u>	<u>\$ 15,879,581</u>	<u>\$ 307,133</u>	<u>\$49,214,233</u>

# NOTE 12 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$138,769,436	\$ 10,678,921	\$ 47,514	\$ 78,862	\$ -	\$149,574,733
Research	14,516,441	8,217,428	2,210,455	-	-	24,944,324
Public Service	8,187,432	1,822,607	84,330	2,539	-	10,096,908
Academic Support	25,164,763	17,873,883	456,296	195	-	43,495,137
Student Services	17,763,480	7,675,288	-	726	-	25,439,494
Institutional Support	25,322,795	14,370,213	400	27,291	-	39,720,699
Operations and Maintenance of Plant	19,680,203	7,077,864	-	5,724,973	-	32,483,040
Student Financial Aid	-	-	47,640,958	-	-	47,640,958
Auxiliary Enterprises	18,881,350	25,004,467	40,586	3,306,737	-	47,233,140
Depreciation/Amortization	-	-	-	-	27,400,550	27,400,550
<b>Total Operating Expenses</b>	<u>\$268,285,900</u>	<u>\$ 92,720,671</u>	<u>\$ 50,480,539</u>	<u>\$9,141,323</u>	<u>\$ 27,400,550</u>	<u>\$448,028,983</u>

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 \$30,017,508 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the University in providing the student awards, the related program activity is reported as nonoperating Federal Aid - COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 11.

**NOTE 13 - PENSION PLANS****A. Defined Benefit Plan**

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

*Benefits Provided:* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2022 was 16.38% of covered payroll. Plan members' contributions to the pension plan were \$5,367,746, and the University's contributions were \$14,653,946 for the year ended June 30, 2022.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2021 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the

North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

**TSERS Basis of Accounting:** The financial statements of the TSERS plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

**Methods Used to Value TSERS Investment:** Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, the Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2021 *Annual Comprehensive Financial Report*.

**Net Pension Liability:** At June 30, 2022, the University reported a liability of \$25,316,014 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 0.54064%, which was an increase of 0.01019 from its proportion measured as of June 30, 2020, which was 0.53045%.

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

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

\* Salary increases include 3.25% inflation and productivity factor.

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (the measurement date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

**Discount Rate:** The discount rate used to measure the total pension liability was 6.5% for the December 31, 2020 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is

a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plan at June 30, 2021 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 84,919,449	\$ 25,316,014	\$ 24,229,382

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2022, the University recognized pension expense of \$8,471,489. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 1,450,047	\$ 574,954
Changes of Assumptions	9,496,309	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	31,366,857
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,187,651	-
Contributions Subsequent to the Measurement Date	14,653,946	-
<b>Total</b>	<b>\$ 27,787,953</b>	<b>\$ 31,941,811</b>

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



resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

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

<u>Year Ending June 30:</u>	<u>Amount</u>
2023	\$ (1,905,470)
2024	(3,169,003)
2025	(4,113,243)
2026	(9,620,088)
<b>Total</b>	<b>\$ (18,807,804)</b>

**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 \$236,504,786, of which \$100,848,473 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$6,050,908 and \$6,898,036, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions, less forfeitures of \$1,724,384 recognized during the reporting period.



**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 2021 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

**A. Summary of Significant Accounting Policies and Plan Asset Matters**

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

*Methods Used to Value Plan Investments:* Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2021 *Annual Comprehensive Financial Report*.

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

*Plan Administration:* The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing,

multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

*Benefits Provided:* Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 15. The plan options change when former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an

allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

*Contributions:* Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The University's contractually-required contribution rate for the year ended June 30, 2022 was 6.29% of covered payroll. The University's contributions to the RHBF were \$11,970,556 for the year ended June 30, 2022.

In fiscal year 2021, the State Health Plan (the Plan) transferred \$187.0 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2022, the University recognized noncapital contributions for RHBF of \$1,930,326.

## 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 reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

*Benefits Provided:* Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to

receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

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

*Contributions:* Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2022 was 0.09% of covered payroll. The University's contributions to DIPNC were \$171,280 for the year ended June 30, 2022.

### C. Net OPEB Liability (Asset)

*Net OPEB Liability:* At June 30, 2022, the University reported a liability of \$319,128,934 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The University's proportion of the net OPEB liability was based on a projection of the present

value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 1.03226%, which was an increase of 0.01049 from its proportion measured as of June 30, 2020, which was 1.02177%.

**Net OPEB Asset:** At June 30, 2022, the University reported an asset of \$168,439 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The University's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 1.03122%, which was a decrease of 0.01535 from its proportion measured as of June 30, 2020, which was 1.04657%.

**Actuarial Assumptions:** The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2021 utilizing update procedures incorporating the actuarial assumptions.

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

\* Salary increases include 3.25% inflation and productivity factor.

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

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors

and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2021 (the measurement date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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



Currently, as described earlier in the note, benefits are dependent on membership requirements.

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

The actuarial assumptions used in the December 31, 2020 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

**Discount Rate:** The discount rate used to measure the total OPEB liability for RHBF was 2.16% at June 30, 2021 compared to 2.21% at June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Net OPEB Liability (Asset)				
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)	
RHBF	\$ 379,599,669	\$ 319,128,934	\$ 270,155,108	
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)	
DIPNC	\$ (106,350)	\$ (168,439)	\$ (225,878)	

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

Net OPEB Liability (Asset)			
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	\$ 258,440,918	\$ 319,128,934	\$ 399,638,034
DIPNC	\$ (177,287)	\$ (168,439)	\$ (157,416)

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

OPEB Plan	Amount
RHBF	\$ (9,300,866)
DIPNC	368,297
<b>Total OPEB Expense</b>	<b>\$ (8,932,569)</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:** At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:			
	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 1,869,276	\$ 429,471	\$ 2,298,747
Changes of Assumptions	26,101,999	29,575	26,131,574
Net Difference Between Projected and Actual Earnings on Plan Investments	-	16,438	16,438
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	29,280,905	14,636	29,295,541
Contributions Subsequent to the Measurement Date	11,970,556	171,280	12,141,836
<b>Total</b>	<b>\$ 69,222,736</b>	<b>\$ 661,400</b>	<b>\$ 69,884,136</b>



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

	RHB	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 5,940,475	\$ -	\$ 5,940,475
Changes of Assumptions	77,555,267	61,151	77,616,418
Net Difference Between Projected and Actual Earnings on Plan Investments	163,247	-	163,247
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	8,455,674	38,008	8,493,682
<b>Total</b>	<b>\$ 92,114,663</b>	<b>\$ 99,159</b>	<b>\$ 92,213,822</b>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHB and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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

Year Ending June 30:	RHB	DIPNC
2023	\$ (35,259,610)	\$ 108,129
2024	(3,326,096)	73,048
2025	3,209,744	95,386
2026	(3,875,817)	45,520
2027	4,389,296	15,841
Thereafter	-	53,037
<b>Total</b>	<b>\$ (34,862,483)</b>	<b>\$ 390,961</b>

## 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 \$100,000 per occurrence deductible. However, Housing and Residence Life has chosen a \$25,000 deductible.

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

### **2. Public Officers' and Employees' Liability Insurance**

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$10,000,000 in the aggregate per fiscal year via contract with private insurance companies. The University pays the premium, based on a composite rate, directly to the private insurer.

### 3. Employee Dishonesty and Computer Fraud

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

### 4. Statewide Workers' Compensation Program

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

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

### 5. Other Insurance Held by the University

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance.

These purchased coverages are:

- "All-Risk" for Computers and Miscellaneous Equipment covering all perils including flood (replacement cost on listed computers and miscellaneous equipment, \$5,000 deductible per event);
- Study Abroad accident and health (\$350,000 per injury or sickness medical expenses, \$10,000 accidental death and dismemberment, \$50,000 repatriation of remains, \$200,000 evacuation benefit limit, \$1,500 bedside visit);
- International Students' Accident and Sickness (\$250,000 maximum limit for medical expenses, \$10,000 accidental death and dismemberment, \$15,000 for repatriation of remains and \$50,000 lifetime benefit for medical evacuation, \$500 deductible);
- Crime - Robbery and Safe Burglary (\$500,000 per event, \$25,000 deductible);
- Crime - Employee Dishonesty (\$5.0 million limit, \$100,000 deductible);
- Musical Instruments (stated value cash replacement value with \$500 deductible);
- Fine Art (property coverage - museum collection and temporary loan, Limits of Liability: \$220.0 million limit at insured premises, \$40.0 million at any other location, \$40.0 million limit in transit on any one conveyance, exhibition, and location, \$100.0 million for TRIA (Terrorism Risk Insurance Act), and \$220.0 million aggregate limit in any one loss or disaster; Deductibles: \$2,500);

- University Intern Liability (\$2.0 million per incident / \$4.0 million per year);
- Business Travel (\$100,000 maximum medical expense, \$10,000 maximum accidental death and dismemberment maximum benefit, \$100,000 medical evacuation maximum benefit);
- Boiler and Machinery (\$50.0 million equipment breakdown limit, \$500 Non-Medical/\$10,000 Medical/\$1,000 Miscellaneous Equipment deductible);
- Leased Computer Equipment (stated value with \$10,000 deductible for medical equipment and \$500 deductible for all other);
- Athletic Accident (maximum medical coverage limit \$75,000, with \$0 deductible, maximum death specific loss \$50,000);
- Physicians' Professional Medical Liability (\$1.0 million per person, \$3.0 million total);
- Postal Bond (coverage limit \$30,000);
- Cyber Liability/Breach Response (\$5.0 million limit; eCrime \$250,000; Dependent Business \$1.0 million; Ransomware/Malware \$3.75 million w/ 25% coinsurance; \$250,000 deductible);
- Non-Physicians Professional Medical Liability (individual policies) (\$1.0 million per person, \$3.0 million total);
- Student Health - Negotiated annually by NCDOT & NCAIA for UNC System;
- Camp Accident (\$250,000 accidental death and dismemberment maximum annual limit);
- Club Sports Travel (\$10,000 accidental death and dismemberment);
- Railroad Underpass general liability coverage \$1.0 million per year and \$2.0 million aggregate limit;
- Railroad Underpass excess liability \$1.0 million limit;
- Campus Recreation Adventure Program accident & health insurance (\$15,000 accidental death, up to \$15,000 dismemberment, \$10,000 accidental medical expenses);
- Boat & Hull (\$1.0 million liability and \$4,000 property damage);
- Fiber Optics bond \$50,000;
- Unmanned Aircraft Aviation insurance (\$1.0 million liability limit); and
- Volunteer Liability (\$1.0 million per occurrence/\$3.0 million aggregate).

#### 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 \$1,323,092 and on other purchases were \$8,185,484 at June 30, 2022.
- B. Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements.

University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

- 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 the UNCG Endowment Fund	\$ 6,965,371
Pledges to the UNCG Excellence Foundation Endowment Fund	3,146,280

#### NOTE 17 - RELATED PARTIES

The University and North Carolina Agricultural and Technical State University have formed a jointly governed nonprofit organization, Gateway Research Park, Inc., 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 made payments totaling \$1,117,358 to Gateway Research Park, Inc. These payments consisted of: \$940,409 for the construction, maintenance, acquisition, movement, installation, upgrades of offices, classrooms, and laboratories for the Joint School of Nanoscience and Nanoengineering; \$151,604 for the operation and maintenance of University facilities at the Gateway Research Park, Inc.; \$25,000 for annual management fee for the Gateway Research Park, Inc.; and \$345 for other facility use fees, services, and maintenance expenses.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 18 - BLENDED COMPONENT UNITS

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

*Condensed Statement of Net Position*  
*Proprietary Fund*  
*June 30, 2022*

	University	UNCG Excellence Foundation	Weatherspoon Arts Foundation	Capital Facilities Foundation	UNCG Investment Fund	Eliminations	Total
<b>ASSETS</b>							
Current Assets	\$ 208,129,271	\$ 8,065,176	\$ -	\$ 4,285,745	\$ 650,890	\$ (967,974)	\$ 220,163,108
Capital Assets, Net	777,444,177	-	24,393,851	9,610,146	-	-	811,448,174
Other Noncurrent Assets	225,648,747	179,355,398	-	8,067,369	368,639,796	(376,707,165)	405,004,145
Total Assets	1,211,222,195	187,420,574	24,393,851	21,963,260	369,290,686	(377,675,139)	1,436,615,427
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	101,907,379	-	-	-	-	-	101,907,379
<b>LIABILITIES</b>							
Current Liabilities	40,896,216	1,286,292	-	331,300	650,891	(650,891)	42,513,808
Long-Term Liabilities, Net	632,469,575	-	-	8,053,823	-	-	640,523,398
Other Noncurrent Liabilities	12,461,856	3,769,093	-	557,085	-	-	16,788,034
Total Liabilities	685,827,647	5,055,385	-	8,942,208	650,891	(650,891)	699,825,240
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	126,279,217	88,390	-	8,199,955	-	(8,199,955)	126,367,607
<b>NET POSITION</b>							
Net Investment in Capital Assets	493,865,637	34,000	24,393,851	1,312,780	-	-	519,606,268
Restricted - Nonexpendable	79,545,842	102,634,817	-	-	368,639,795	(368,639,795)	182,180,659
Restricted - Expendable	149,692,005	68,467,049	-	-	-	-	218,159,054
Unrestricted	(222,080,774)	11,140,933	-	3,508,317	-	(184,498)	(207,616,022)
Total Net Position	\$ 501,022,710	\$ 182,276,799	\$ 24,393,851	\$ 4,821,097	\$ 368,639,795	\$ (368,824,293)	\$ 712,329,959

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

	University	UNCG Excellence Foundation	Weatherspoon Arts Foundation	Capital Facilities Foundation	UNCG Investment Fund	Eliminations	Total
<b>OPERATING REVENUES</b>							
Rental Income	\$ -	\$ -	\$ -	\$ 563,634	\$ -	\$ (563,634)	\$ -
Operating Revenues	196,626,997	-	-	-	-	-	196,626,997
Total Operating Revenues	196,626,997	-	-	563,634	-	(563,634)	196,626,997
<b>OPERATING EXPENSES</b>							
Operating Expenses	420,120,103	675,017	-	329,621	1,877,816	(2,374,124)	420,628,433
Depreciation/Amortization	27,110,186	-	-	290,364	-	-	27,400,550
Total Operating Expenses	447,230,289	675,017	-	619,985	1,877,816	(2,374,124)	448,028,983
Operating Loss	(250,603,292)	(675,017)	-	(56,351)	(1,877,816)	1,810,490	(251,401,986)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment Loss, Net	(10,177,029)	(10,555,251)	-	-	(17,769,404)	17,769,404	(20,732,280)
Noncapital Contributions	13,078,380	372,813	-	-	-	-	13,451,193
Interest and Fees on Debt	(10,101,297)	-	-	-	-	-	(10,101,297)
Other Nonoperating Revenues (Expenses)	304,306,164	(7,062,093)	-	16,257	(4,322,619)	4,300,619	297,238,328
Net Nonoperating Revenues	297,106,218	(17,244,531)	-	16,257	(22,092,023)	22,070,023	279,855,944
Capital Contributions	6,945,501	-	150,191	-	-	-	7,095,692
Additions to Endowments	1,496,059	5,028,849	-	-	-	-	6,524,908
Total Other Revenues	8,441,560	5,028,849	150,191	-	-	-	13,620,600
Increase (Decrease) in Net Position	54,944,486	(12,890,699)	150,191	(40,094)	(23,969,839)	23,880,513	42,074,558
<b>NET POSITION</b>							
Net Position, July 1, 2021	446,078,224	195,167,498	24,243,660	4,861,191	392,609,634	(392,704,806)	670,255,401
Net Position, June 30, 2022	\$ 501,022,710	\$ 182,276,799	\$ 24,393,851	\$ 4,821,097	\$ 368,639,795	\$ (368,824,293)	\$ 712,329,959

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

	University	UNCG Excellence Foundation	Capital Facilities Foundation	UNCG Investment Fund	Eliminations	Total
Net Cash Used by Operating Activities	\$ (254,510,787)	\$ (4,005,565)	\$ (8,298)	\$ -	\$ -	\$ (258,524,650)
Net Cash Provided (Used) by Noncapital Financing Activities	313,013,329	(49,022)	-	-	-	312,964,307
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(13,701,886)	-	63,066	-	-	(13,638,820)
Net Cash Provided by Investing Activities	4,215,731	2,969,845	16,257	185,809	(185,809)	7,201,833
Net Increase (Decrease) in Cash and Cash Equivalents	49,016,387	(1,084,742)	71,025	185,809	(185,809)	48,002,670
Cash and Cash Equivalents, July 1, 2021	162,124,637	3,819,070	3,846,192	465,081	(465,081)	169,789,899
Cash and Cash Equivalents, June 30, 2022	\$ 211,141,024	\$ 2,734,328	\$ 3,917,217	\$ 650,890	\$ (650,890)	\$ 217,792,569

### NOTE 19 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

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

*GASB Statement No. 87, Leases*

*GASB Statement No. 99, Omnibus 2022*

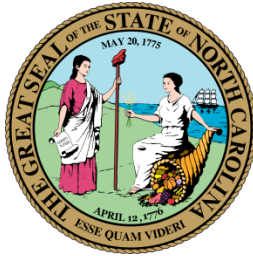
GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions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

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

### NOTE 20 - NET POSITION RESTATEMENT

As of July 1, 2021, the University implemented GASB Statement No. 87, *Leases*. Net position was not restated due to the implementation; however, assets and liabilities were restated as a result of the implementation. See Note 6 and Note 8 for details on the restated balances related to capital assets and lease liabilities, respectively.





# **REQUIRED SUPPLEMENTARY INFORMATION**

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

**Exhibit C-1**

Teachers' and State Employees' Retirement System	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net Pension Liability	0.54064%	0.53045%	0.53007%	0.50654%	0.48830%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 25,316,014	\$ 64,088,953	\$ 54,952,129	\$ 50,431,573	\$ 38,743,875
Covered Payroll	\$ 90,134,827	\$ 90,274,161	\$ 89,253,161	\$ 82,332,739	\$ 77,751,073
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	28.09%	70.99%	61.57%	61.25%	49.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.86%	85.98%	87.56%	87.61%	89.51%
	2017	2016	2015	2014	
Proportionate Share Percentage of Collective Net Pension Liability	0.47757%	0.49801%	0.53027%	0.55270%	
Proportionate Share of TSERS Collective Net Pension Liability	\$ 43,893,616	\$ 18,352,655	\$ 6,216,997	\$ 33,554,522	
Covered Payroll	\$ 74,256,427	\$ 73,915,822	\$ 75,983,103	\$ 78,802,024	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	59.11%	24.83%	8.18%	42.58%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%	

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

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

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

**Exhibit C-2**

<b>Teachers' and State Employees' Retirement System</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	\$ 14,653,946	\$ 13,321,927	\$ 11,708,559	\$ 10,969,213	\$ 8,875,469
Contributions in Relation to the Contractually Determined Contribution	14,653,946	13,321,927	11,708,559	10,969,213	8,875,469
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 89,462,429	\$ 90,134,827	\$ 90,274,161	\$ 89,253,161	\$ 82,332,739
Contributions as a Percentage of Covered Payroll	16.38%	14.78%	12.97%	12.29%	10.78%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually Required Contribution	\$ 7,759,557	\$ 6,794,463	\$ 6,763,298	\$ 6,602,932	\$ 6,564,209
Contributions in Relation to the Contractually Determined Contribution	7,759,557	6,794,463	6,763,298	6,602,932	6,564,209
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 77,751,073	\$ 74,256,427	\$ 73,915,822	\$ 75,983,103	\$ 78,802,024
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

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

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

Changes of Benefit Terms:

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

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

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

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

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions:** An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 13 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

**Changes of Assumptions:** In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

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

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

N/A - Not Applicable

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

**Exhibit C-3**  
**Page 1 of 2**

<b>Retiree Health Benefit Fund</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Proportionate Share Percentage of Collective Net OPEB Liability	1.03226%	1.02177%	1.00445%	0.94867%	0.89477%
Proportionate Share of Collective Net OPEB Liability	\$ 319,128,934	\$ 283,448,805	\$ 317,803,677	\$ 270,258,283	\$ 293,363,921
Covered Payroll	\$ 191,358,077	\$ 192,465,985	\$ 189,195,782	\$ 175,091,258	\$ 164,567,614
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	166.77%	147.27%	167.98%	154.35%	178.26%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.72%	6.92%	4.40%	4.40%	3.52%
	<b>2017</b>				
Proportionate Share Percentage of Collective Net OPEB Liability	1.01384%				
Proportionate Share of Collective Net OPEB Liability	\$ 441,054,860				
Covered Payroll	\$ 155,819,092				
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	283.06%				
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.41%				

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

**Exhibit C-3**  
**Page 2 of 2**

Disability Income Plan of North Carolina	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net OPEB Asset	1.03122%	1.04657%	1.02502%	0.98159%	0.95710%
Proportionate Share of Collective Net OPEB Asset	\$ 168,439	\$ 514,850	\$ 442,296	\$ 298,168	\$ 584,980
Covered Payroll	\$ 191,358,077	\$ 192,465,985	\$ 189,195,782	\$ 175,091,258	\$ 164,567,614
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.09%	0.27%	0.23%	0.17%	0.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.18%	115.57%	113.00%	108.47%	116.23%
	<b>2017</b>				
Proportionate Share Percentage of Collective Net OPEB Asset	0.90534%				
Proportionate Share of Collective Net OPEB Asset	\$ 562,216				
Covered Payroll	\$ 155,819,092				
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.36%				
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	116.06%				

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

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

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

**Exhibit C-4**  
**Page 1 of 2**

<b>Retiree Health Benefit Fund</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	\$ 11,970,556	\$ 12,782,720	\$ 12,452,549	\$ 11,862,576	\$ 10,593,021
Contributions in Relation to the Contractually Determined Contribution	11,970,556	12,782,720	12,452,549	11,862,576	10,593,021
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 190,310,902	\$ 191,358,077	\$ 192,465,985	\$ 189,195,782	\$ 175,091,258
Contributions as a Percentage of Covered Payroll	6.29%	6.68%	6.47%	6.27%	6.05%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually Required Contribution	\$ 9,561,378	\$ 8,725,869	\$ 8,421,927	\$ 8,473,310	\$ 8,396,759
Contributions in Relation to the Contractually Determined Contribution	9,561,378	8,725,869	8,421,927	8,473,310	8,396,759
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 164,567,614	\$ 155,819,092	\$ 153,404,858	\$ 156,913,142	\$ 158,429,407
Contributions as a Percentage of Covered Payroll	5.81%	5.60%	5.49%	5.40%	5.30%

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

**Exhibit C-4**  
**Page 2 of 2**

<b>Disability Income Plan of North Carolina</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	\$ 171,280	\$ 172,222	\$ 192,466	\$ 264,874	\$ 245,128
Contributions in Relation to the Contractually Determined Contribution	171,280	172,222	192,466	264,874	245,128
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 190,310,902	\$ 191,358,077	\$ 192,465,985	\$ 189,195,782	\$ 175,091,258
Contributions as a Percentage of Covered Payroll	0.09%	0.09%	0.10%	0.14%	0.14%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually Required Contribution	\$ 625,357	\$ 638,858	\$ 628,960	\$ 690,418	\$ 697,089
Contributions in Relation to the Contractually Determined Contribution	625,357	638,858	628,960	690,418	697,089
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 164,567,614	\$ 155,819,092	\$ 153,404,858	\$ 156,913,142	\$ 158,429,407
Contributions as a Percentage of Covered Payroll	0.38%	0.41%	0.41%	0.44%	0.44%

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



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

---

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

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

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

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

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

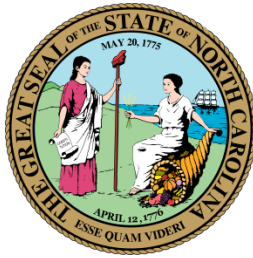
Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

*Method and Assumptions Used in Calculations of Actuarially Determined Contributions:* An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 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:* In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

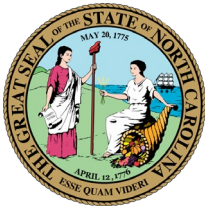
Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBF was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. In 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

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



# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



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

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
[www.auditor.nc.gov](http://www.auditor.nc.gov)

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

---

Board of Trustees  
The University of North Carolina at Greensboro  
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 the business-type activities and fiduciary activities of The University of North Carolina at Greensboro (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 9, 2022. Our report includes a reference to other auditors who audited the financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., The UNCG Excellence Foundation, Inc., and the Capital Facilities Foundation, Inc., as described in our report on the University's financial statements. The financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., The UNCG Excellence Foundation, Inc., and the Capital Facilities 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 these entities.

Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

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

### Purpose of this Report

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



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

November 9, 2022

# ORDERING INFORMATION

---

## COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699

Telephone: 919-807-7500  
Facsimile: 919-807-7647  
Internet: [www.auditor.nc.gov](http://www.auditor.nc.gov)



To report alleged incidents of fraud, waste or abuse in state government contact the  
Office of the State Auditor Fraud Hotline:

**Telephone:** 1-800-730-8477

**Internet:** [www.auditor.nc.gov/about-us/state-auditors-hotline](http://www.auditor.nc.gov/about-us/state-auditors-hotline)

For additional information contact the  
North Carolina Office of the State Auditor at:

**919-807-7666**



---

This audit required 690.5 hours at an approximate cost of \$82,860.