

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



WINSTON-SALEM STATE UNIVERSITY

WINSTON-SALEM, 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



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STATE OF NORTH CAROLINA
Office of the State Auditor



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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Winston-Salem State University

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

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

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

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

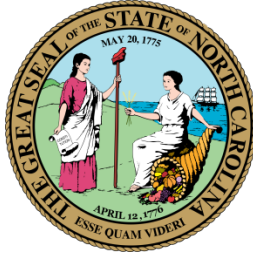
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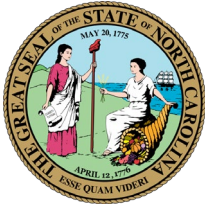
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Winston-Salem State University
Winston-Salem, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Winston-Salem State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of Winston-Salem State University, and its discretely presented component unit, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the consolidated financial statements of the Winston-Salem State University Foundation, Inc. and Subsidiary, the University's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Winston-Salem State University Foundation, Inc. and Subsidiary, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Winston-Salem State University and to meet our other ethical

responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 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

December 13, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Winston-Salem State University (the "University") annual financial report presents our discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2022. This discussion has been prepared by University management along with the financial statements and notes to the financial statements and should be read in conjunction with, and is qualified in its entirety by, the financial statements and notes. Management's Discussion and Analysis has comparative data for the applicable years (past and current) with emphasis on the current year. The financial statements, notes, and this discussion are the responsibility of University management.

This year has been an opportunity for Winston-Salem State University, as with many other institutions, to continue managing the impact of COVID-19 while establishing new protocols and practices to move forward with this endemic. As an extension of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the University has been able to proceed with providing support to students to assist with educational affordability as well as provide financial stability to campus programming and life safety measures.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board's (GASB) pronouncements. GASB pronouncements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis for the University as a whole, with resources classified for accounting and reporting purposes into four net position categories. One of the most important questions asked is whether the University as a whole is better or worse off as a result of the year's activities. The key to understanding this question is provided within the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets and liabilities. The University's net position (total assets and total deferred outflows of resources less total liabilities and total deferred inflows of resources) is an indicator of the University's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. All things being equal, a public University's dependency on state appropriations and gifts will result in operating deficits because GASB Statement No. 34 classifies state appropriations, certain grants, and gifts as nonoperating revenues.

The Statement of Cash Flows provides information relative to the University's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balances of noncash accounts on the Statement of Net Position. For the purpose of this discussion, we will address the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Reporting Entity

The financial statements report information about the University as a whole using accounting methods similar to those used by private-sector companies. The University's supporting organization, the Winston-Salem State University Foundation, Inc. and Subsidiary (the "Foundation"), is an independent nonprofit corporation formed for the exclusive benefit of the University. Under GASB Standards, the Foundation meets the requirements to be reported discretely in these financial statements; however, the Foundation is not included in Management's Discussion and Analysis. More information describing the relationship between the University and its discretely presented component unit can be found in Note 1A, Significant Accounting Policies - Financial Reporting Entity.

Financial Highlights

The University's financial position increased during the fiscal year ended June 30, 2022. Its combined net position increased \$29,951,893.58 or 27.6% from the previous year.

Condensed Financial Information

Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), liabilities (current and noncurrent), and the net position (total assets and deferred outflows less total liabilities and deferred inflows) of the University. This condensed financial statement provides a comparative fiscal snapshot as of June 30, 2022 and 2021. This provides the readers of this statement with information on assets available to continue operations. The June 30, 2021 balances have been shown as restated due to the implementation of GASB Statement No. 87, *Leases*.

Condensed Statements of Net Position
6/30/2022 and 6/30/2021

	2022	2021 (as Restated)	\$ Change	% Chg
Assets				
Current Assets	\$ 57,698,251.82	\$ 40,536,337.94	\$ 17,161,913.88	42.3%
Noncurrent Assets:				
Capital Assets, Net	247,126,398.15	252,689,828.99	(5,563,430.84)	-2.2%
Other	62,477,399.01	62,510,216.61	(32,817.60)	-0.1%
Total Assets	367,302,048.98	355,736,383.54	11,565,665.44	3.3%
Total Deferred Outflows of Resources	22,496,880.50	19,834,748.36	2,662,132.14	13.4%
Liabilities				
Current Liabilities	14,483,061.90	14,178,232.15	304,829.75	2.1%
Long-Term Liabilities, Net	185,112,999.90	196,304,020.15	(11,191,020.25)	-5.7%
Other Noncurrent Liabilities	3,444,384.65	3,650,774.67	(206,390.02)	-5.7%
Total Liabilities	203,040,446.45	214,133,026.97	(11,092,580.52)	-5.2%
Total Deferred Inflows of Resources	48,450,093.82	53,081,609.30	(4,631,515.48)	-8.7%
Net Position*				
Net Investment in Capital Assets	156,938,686.04	157,103,085.81	(164,399.77)	-0.1%
Restricted:				
Nonexpendable	19,058,271.31	19,089,071.43	(30,800.12)	-0.2%
Expendable	44,749,013.47	46,619,981.97	(1,870,968.50)	-4.0%
Unrestricted	(82,437,581.61)	(114,455,643.58)	32,018,061.97	-28.0%
Total Net Position	\$ 138,308,389.21	\$ 108,356,495.63	\$ 29,951,893.58	27.6%

*Net Position categories are defined in Note 1N of the Notes to the Financial Statements.

As of June 30, 2022, total University assets were \$367,302,048.98. The University's largest asset category at June 30, 2022 was capital assets (net) totaling \$247,126,398.15, which decreased \$5,563,430.84 as compared to the prior year. This decrease was due to annual depreciation and amortization expenses outpacing asset additions. The University's current assets totaled \$57,698,251.82 as of June 30, 2022, an increase of \$17,161,913.88 as compared to the prior year. This increase was primarily related to an increase in unrestricted cash of \$13,843,408.97 resulting from improved auxiliary operations due to the resumption of in-person activities and increased federal COVID-19 aid used to recover revenue losses caused by the pandemic. The University's current assets covered current liabilities, resulting in a current ratio of \$3.58 in current assets for every \$1.00 in current liabilities.

The University recorded deferred outflows related to pensions and other postemployment benefits (OPEB) in the amount of \$9,181,166.00 and \$12,602,520.22, respectively, at June 30, 2022. The \$2,175,347.00 net increase is due to changes in actuarial valuations of the plans. For more information about the University's deferred outflows related to pensions and OPEB, refer to Notes 13 and 14 of the Notes to the Financial Statements.

The University recorded deferred inflows related to pensions and OPEB in the amount of \$11,674,913.00 and \$34,045,473.00, respectively, at June 30, 2022. The \$5,026,316.00 net decrease is due to differences between actual and projected earnings and changes in actuarial assumptions. For more information about the University's deferred inflows related to pensions and OPEB, refer to Notes 13 and 14 of the Notes to the Financial Statements.

University liabilities totaled \$203,040,446.45 at June 30, 2022 as compared to \$214,133,026.97 per the prior year, a decrease of \$11,092,580.52. This primarily resulted from a decrease of \$11,191,020.25 in long-term liabilities (net) due to principal payments on long-term debt and a \$6,860,984.00 net decrease in the University's net pension and OPEB liabilities resulting from changes in actuarial valuations. See Note 8 for additional information regarding long-term liabilities.

The University's restricted expendable net position was \$44,749,013.47 at June 30, 2022 compared to \$46,619,981.97 in the prior year, a decrease of \$1,870,968.50. This decrease was primarily due to a reduction in funds restricted for capital projects as the University expended amounts received in the prior year during the current period.

The University's unrestricted net position was a deficit of \$82,437,581.61 at June 30, 2022 compared to a deficit of \$114,455,643.58 in the prior year. This \$32,018,061.97 or 28.0% decrease in deficit was due primarily to changes in the University's pension and OPEB balances as compared to the prior year and increased operating revenues further discussed below.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the activity that shows the changes in net position. The activity is represented by the revenues earned by the University, both operating and nonoperating, and the expenses incurred by the University, operating and nonoperating, as well as any other revenues earned by the University.

Operating revenues are received for providing goods and services to the various customers of the University. Operating expenses are used to acquire goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating activities since these are

either investing, capital, or noncapital financing activities. Nonoperating expenses are expenses other than those involved in the normal operation of the University and include interest and fees on debt.

**Condensed Statement of Revenues, Expenses, and
Changes in Net Position
6/30/2022 and 6/30/2021**

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Chg</u>
Operating Revenues:				
Student Tuition and Fees, Net	\$ 23,650,467.25	\$ 21,020,883.98	\$ 2,629,583.27	12.5%
Sales and Services, Net	25,136,762.71	17,657,468.88	7,479,293.83	42.4%
Other	1,225,494.94	1,518,629.47	(293,134.53)	-19.3%
Total Operating Revenues	<u>50,012,724.90</u>	<u>40,196,982.33</u>	<u>9,815,742.57</u>	24.4%
Operating Expenses:				
Salaries and Benefits	65,165,011.27	69,259,917.75	(4,094,906.48)	-5.9%
Supplies and Services	50,417,345.84	34,171,956.43	16,245,389.41	47.5%
Scholarships and Fellowships	34,442,847.26	17,041,460.81	17,401,386.45	102.1%
Utilities	3,282,096.39	2,958,004.06	324,092.33	11.0%
Depreciation/Amortization	9,747,207.04	9,461,147.61	286,059.43	3.0%
Total Operating Expenses	<u>163,054,507.80</u>	<u>132,892,486.66</u>	<u>30,162,021.14</u>	22.7%
Operating Loss	<u>(113,041,782.90)</u>	<u>(92,695,504.33)</u>	<u>(20,346,278.57)</u>	21.9%
Nonoperating Revenues (Expenses):				
State Appropriations	66,938,698.00	61,156,612.19	5,782,085.81	9.5%
State Aid - Coronavirus	1,128,442.00	4,015,998.00	(2,887,556.00)	-71.9%
Student Financial Aid	22,503,639.41	22,935,943.57	(432,304.16)	-1.9%
Federal Aid - COVID-19	41,863,440.82	13,220,938.71	28,642,502.11	216.6%
Noncapital Contributions	11,279,803.22	11,674,796.59	(394,993.37)	-3.4%
Investment Income, Net	2,368,811.66	14,995,036.75	(12,626,225.09)	-84.2%
Interest Earned on Leases	4,789.83	-	4,789.83	
Interest and Fees on Debt	(3,838,938.79)	(4,161,499.24)	322,560.45	-7.8%
Net Nonoperating Revenues	<u>142,248,686.15</u>	<u>123,837,826.57</u>	<u>18,410,859.58</u>	14.9%
Income Before Other Revenues	<u>29,206,903.25</u>	<u>31,142,322.24</u>	<u>(1,935,418.99)</u>	-6.2%
Capital Appropriations	-	3,217,700.85	(3,217,700.85)	-100.0%
Capital Contributions	694,990.33	3,771,452.06	(3,076,461.73)	-81.6%
Additions to Endowments	50,000.00	264,563.79	(214,563.79)	-81.1%
Total Other Revenues	<u>744,990.33</u>	<u>7,253,716.70</u>	<u>(6,508,726.37)</u>	-89.7%
Increase in Net Position	29,951,893.58	38,396,038.94	(8,444,145.36)	-22.0%
Net Position:				
Beginning of the Year	108,356,495.63	69,574,206.69	38,782,288.94	55.7%
Restatement	-	386,250.00	(386,250.00)	
End of the Year	<u>\$ 138,308,389.21</u>	<u>\$ 108,356,495.63</u>	<u>\$ 29,951,893.58</u>	27.6%

Total operating loss for fiscal year 2022 was \$113,041,782.90. Since the State of North Carolina appropriations, certain grants, and gifts are not included within operating revenues per GASB Statement No. 34, the University will show a significant operating loss on a continuing basis.

The sources of operating revenues for the University are tuition and fees, auxiliary services, other educational activities, and lease income.

The University strives to provide students with the opportunity to obtain a quality education. Future University enrollments may be affected by a number of factors, including any material increase in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of North Carolina.

Total expenses were \$166,893,446.59 for fiscal year 2022 compared to \$137,053,985.90 for fiscal year 2021, resulting in a net increase of \$29,839,460.69. Key changes in operating expenses are identified as follows:

- Salaries and benefits decreased \$4,094,906.48 primarily due to a net reduction in pension and OPEB expenses of \$5,317,614.00 due to changes in actuarial valuations, offset by increases caused by legislative bonuses and salary increases.
- Supplies and services increased \$16,245,389.41 primarily due to increases in housing renovations, furniture purchases, and COVID-19 personal protective equipment (PPE) expenditures as compared to the prior period.
- Scholarships and fellowships increased \$17,401,386.45 primarily due to an increase in CARES Act Higher Education Emergency Relief Funds awarded to students to provide financial assistance towards covering the cost of tuition and fees, housing, and other similar needs.

The University's largest source of nonoperating revenues is the State of North Carolina appropriations. This is received in monthly allocations beginning in July of each year, since the State's fiscal year begins on July 1. There is no direct connection between the amount of tuition revenues collected by the University and the amount of state funds appropriated in any given year. For the fiscal year ended June 30, 2022, the State of North Carolina appropriated to the University \$66,938,698.00 for operations and provided \$694,990.33 in capital contributions.

Total revenues were \$196,845,340.17 for fiscal year 2022 compared to \$175,450,024.84 for fiscal year 2021, resulting in a net increase of \$21,395,315.33 which is primarily attributed to the following:

- Student tuition and fees (net) increased \$2,629,583.27 due primarily to an increase in student enrollment and a \$1,642,838.58 reduction in scholarship discounts.
- Sales and services (net) increased \$7,479,293.83. This increase is attributed to a combination of summer camps, students, faculty, and staff returning to campus after an absence due to the pandemic.
- Capital contributions and appropriations decreased by a total of \$6,294,162.58 due to a decrease in active capital projects and changes to guidelines regarding the carry forward of unspent state appropriations. In the prior year unspent appropriations carried forward were reported as capital appropriations as compared to state appropriations in the current period.

- State appropriations increased \$5,782,085.81 primarily due to increased funding appropriated by the State and changes to the carry forward guidelines discussed above.
- Investment income decreased \$12,626,225.09 due to poor market performance as compared to the prior year.
- Federal COVID-19 aid increased \$28,642,502.11 due to the receipt of Higher Education Emergency Relief Funds awarded to the University in the prior year for purposes of providing emergency relief to students and ongoing COVID-19 mitigation.

One of the University's greatest strengths is the diverse streams of revenues which supplement its student tuition and fees, including voluntary private support from individuals, foundations, and corporations, along with government and other sponsored programs, state appropriations, and investment income. The University has and will continue to seek funding aggressively from all possible sources consistent with its mission, to supplement student tuition and manage prudently the financial resources realized from these efforts to fund its operating activities.

Capital Assets and Long-Term Debt

The University's capital assets (net of accumulated depreciation/amortization) at June 30, 2022 were \$247,126,398.15 compared to \$252,689,828.99 for fiscal year 2021 (as restated), resulting in a net decrease of \$5,563,430.84. As of July 1, 2021, the University implemented GASB Statement No. 87, *Leases*, which requires recognition of lease liabilities and right-to-use leased assets for agreements that meet the criteria for capitalization. During the current year, the most significant capital asset activity was related to the Rams Commons Hall fire alarm project which was completed during the period. For more information about the University's capital asset holdings, refer to Note 6 (Capital Assets) and Note 9 (Leases) of the Notes to the Financial Statements.

Long-term debt totaled \$87,030,811.61 at June 30, 2022 as compared to \$90,575,656.32 in the prior year (as restated for GASB 87), a decrease of \$3,544,844.71. The decrease is a result of recording principal payments on long-term debt.

On January 13, 2022, the University issued \$22,520,000.00 in General Revenue Refunding Bonds, Series 2022 with an average interest rate of 2.19%. The bonds were issued for a current refunding of \$26,015,000.00 of outstanding General Revenue Bonds, Series 2013 with an average interest rate of 5.06%. The refunding was undertaken to reduce total debt service payments by \$8,250,311.00 over the next 22 years and resulted in an economic gain of \$6,929,435.00.

For more information about the University's long-term debt, refer to Note 8 of the Notes to the Financial Statements.

Factors Impacting Future Periods

Health Related Pandemic

The University has continued to be a recipient of federal and state financial assistance allowing access to financial resources needed to manage the COVID-19 pandemic and the current endemic during FY 2021-2022. The University continued to work closely with local health department officials and provide access to on-campus testing sites to ensure safety of faculty,

staff, students, and the community. Although reduced, the University is continuing safety protocols to mitigate the spread of COVID-19 and Monkey Pox.

Conclusion

Management believes that the University is well positioned to continue its strong financial condition and level of excellence in providing service to students, the community, and governmental agencies. This flexibility, along with the University's ongoing efforts toward revenue diversification, targeted recruitment, and retention initiatives, along with cost containment, will enable the University to provide the necessary resources as the University embarks on a new Strategic Plan.

A crucial element to the University's future will continue to be our relationship with the State of North Carolina as a member of the 17-constituent institutions of the University of North Carolina System. In collaboration with the governance structure, Winston-Salem State University works to manage tuition and fee guidelines to ensure the University is competitive and affordable while providing an outstanding education for our students. The University receives support, guidance, and management oversight under this structure. The University System is an integral asset to the State of North Carolina.

The University continues to execute its long-range plan to modernize and expand its complement of facilities with a balance of new construction. The University has plans to increase the availability of on-campus housing offerings to students and has an agreement with the Winston-Salem State University Foundation, Inc., and Subsidiary (Foundation) to work collaboratively towards this effort.

Private gifts are an important supplement to the fundamental support from the State and student tuition, and a significant factor in the growth of academic units. As a result of the MacKenzie Scott philanthropic gift of \$30.0 million to the Foundation in fiscal year 2021, the University can extend the physical and financial footprint of the campus. Additionally, the University will be able to utilize some of the funds as seed money to enhance academic, scholarship, entrepreneurial and innovative strategies. These strategies address the University's growth and the continuing effects of technology on teaching methodologies.

The University will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the University's operations from temporary market volatility. The University is experiencing a surge in financial support through the efforts of Sponsored Research and Programs. These targeted efforts provide increases in academic research and student enrollment initiatives which equate to additional financing as well as opportunities for new academic programming, hence increased opportunities in student enrollment.

The University will continue to monitor opportunities to refinance long-term debt obligations that result in positive cash flow and reduce the debt service fees. These types of activities along with austerity spending measures will impact the financial outlook and credit ratings.

University management is confident that the University's financial condition and performance will remain strong during the present economic uncertainties.



FINANCIAL STATEMENTS

Winston-Salem State University
Statement of Net Position
June 30, 2022

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 43,295,081.69
Restricted Cash and Cash Equivalents	8,310,585.52
Restricted Short-Term Investments	7.04
Receivables, Net (Note 5)	5,019,373.78
Inventories	287,564.22
Notes Receivable, Net (Note 5)	649,426.18
Leases Receivable (Note 9)	136,213.39
Total Current Assets	<u>57,698,251.82</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	10,874,944.35
Endowment Investments	51,098,283.90
Leases Receivable (Note 9)	460,341.76
Net Other Postemployment Benefits Asset	43,829.00
Capital Assets - Nondepreciable (Note 6)	7,480,901.25
Capital Assets - Depreciable, Net (Note 6)	239,645,496.90
Total Noncurrent Assets	<u>309,603,797.16</u>

Total Assets	<u>367,302,048.98</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	713,194.28
Deferred Outflows Related to Pensions	9,181,166.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	12,602,520.22
Total Deferred Outflows of Resources	<u>22,496,880.50</u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	761,365.44
Unearned Revenue	7,767,497.63
Interest Payable	667,833.20
Long-Term Liabilities - Current Portion - Due to University Component Unit (Note 8)	1,700,000.00
Long-Term Liabilities - Current Portion (Note 8)	3,586,365.63
Total Current Liabilities	<u>14,483,061.90</u>

Noncurrent Liabilities:

Deposits Payable	66,793.55
Funds Held for Others	3,377,591.10
Long-Term Liabilities - Due to University Component Unit (Note 8)	28,845,000.00
Long-Term Liabilities, Net (Note 8)	156,267,999.90
Total Noncurrent Liabilities	<u>188,557,384.55</u>

Total Liabilities	<u>203,040,446.45</u>
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Winston-Salem State University
Statement of Net Position
June 30, 2022

Exhibit A-1
Page 2 of 2

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Refunding	2,178,377.20
Deferred Inflows Related to Pensions	11,674,913.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	34,045,473.00
Deferred Inflows for Leases	<u>551,330.62</u>
Total Deferred Inflows of Resources	<u>48,450,093.82</u>

NET POSITION

Net Investment in Capital Assets	<u>156,938,686.04</u>
Restricted:	
Nonexpendable:	
True Endowments	<u>19,058,271.31</u>
Expendable:	
Scholarships, Research, Instruction, and Other	37,090,067.93
Student Loans	193,104.92
Capital Projects	<u>7,465,840.62</u>
Total Restricted-Expendable Net Position	<u>44,749,013.47</u>
Unrestricted	<u>(82,437,581.61)</u>
Total Net Position	<u><u>\$ 138,308,389.21</u></u>

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

Winston-Salem State University
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2022

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 11)	\$ 23,650,467.25
Sales and Services, Net (Note 11)	25,136,762.71
Lease Income	162,892.69
Other Operating Revenues	1,062,602.25

Total Operating Revenues	50,012,724.90
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OPERATING EXPENSES

Salaries and Benefits	65,165,011.27
Supplies and Services	50,417,345.84
Scholarships and Fellowships	34,442,847.26
Utilities	3,282,096.39
Depreciation/Amortization	9,747,207.04

Total Operating Expenses	163,054,507.80
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Operating Loss	(113,041,782.90)
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	66,938,698.00
State Aid - Coronavirus	1,128,442.00
Student Financial Aid	22,503,639.41
Federal Aid - COVID-19	41,863,440.82
Noncapital Contributions	11,279,803.22
Investment Income (Net of Investment Expense of \$258,277.23)	2,368,811.66
Interest and Fees on Debt	(3,838,938.79)
Interest Earned on Leases	4,789.83

Net Nonoperating Revenues	142,248,686.15
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Income Before Other Revenues	29,206,903.25
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Capital Contributions	694,990.33
Additions to Endowments	50,000.00

Total Other Revenues	744,990.33
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Increase in Net Position	29,951,893.58
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NET POSITION

Net Position - July 1, 2021, as Restated (Note 18)	108,356,495.63
Net Position - June 30, 2022	\$ 138,308,389.21

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

Winston-Salem State University
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 50,973,940.73
Payments to Employees and Fringe Benefits	(79,266,179.30)
Payments to Vendors and Suppliers	(53,815,494.18)
Payments for Scholarships and Fellowships	(34,442,847.26)
Loans Issued	(408,963.70)
Student Deposits Received	66,793.55
Student Deposits Returned	(49,571.89)
William D. Ford Direct Lending Disbursements	(30,531,233.00)
William D. Ford Direct Lending Receipts	30,531,233.00
Related Activity Agency Receipts	163,333.26
Other Receipts	1,062,602.25
	<hr/>
Net Cash Used by Operating Activities	(115,716,386.54)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	66,938,698.00
State Aid - Coronavirus	1,128,442.00
Student Financial Aid	20,841,789.03
Federal Aid - COVID-19	41,863,440.82
Noncapital Contributions	10,672,954.48
Additions to Endowments	50,000.00
	<hr/>
Total Cash Provided by Noncapital Financing Activities	141,495,324.33

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Capital Contributions	694,990.33
Proceeds from Lease Arrangements	122,457.99
Acquisition and Construction of Capital Assets	(5,167,237.27)
Principal Paid on Capital Debt and Leases	(3,480,879.16)
Interest and Fees Paid on Capital Debt and Leases	(4,879,588.56)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(12,710,256.67)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	1,692,819.56
Investment Income	4,755,751.33
Purchase of Investments and Related Fees	(4,607,931.70)
	<hr/>
Net Cash Provided by Investing Activities	1,840,639.19
	<hr/>
Net Increase in Cash and Cash Equivalents	14,909,320.31
Cash and Cash Equivalents - July 1, 2021	47,571,291.25
	<hr/>
Cash and Cash Equivalents - June 30, 2022	\$ 62,480,611.56

Winston-Salem State University
Statement of Cash Flows
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	\$ (113,041,782.90)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	9,747,207.04
Lease Income (Amortized Deferred Inflows of Resources)	(162,892.69)
Allowances, Write-Offs, and Amortizations	(1,317,052.28)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	1,304,069.61
Inventories	(54,787.22)
Notes Receivable, Net	242,901.72
Net Other Postemployment Benefits Asset	96,856.00
Deferred Outflows Related to Pensions	573,828.00
Deferred Outflows Related to Other Postemployment Benefits	(2,749,175.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(85,319.48)
Funds Held for Others	163,333.26
Unearned Revenue	1,547,828.02
Net Pension Liability	(14,512,616.00)
Net Other Postemployment Benefits Liability	8,166,350.00
Compensated Absences	(609,605.00)
Deposits Payable	17,221.66
Workers' Compensation Liability	(16,435.28)
Deferred Inflows Related to Pensions	10,807,518.00
Deferred Inflows Related to Other Postemployment Benefits	(15,833,834.00)
Net Cash Used by Operating Activities	<u>\$ (115,716,386.54)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	\$ (1,183,801.97)
Bond Issuance Cost Withheld	344,931.50
Amortization of Deferred Gain on Refunding Bonds	(156,530.10)
Amortization of Deferred Loss on Refunding Bonds	19,706.40
Amortization of Bond Premiums	(526,896.51)
Increase in Receivables Related to Nonoperating Revenues	1,614,988.27
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(514,718.00)
Funds Escrowed to Defeasement Debt	26,664,043.75

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

Winston-Salem State University Foundation, Inc. and Subsidiary
Consolidated Statement of Financial Position
June 30, 2022

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$ 4,947,445
Restricted Cash	6,277,112
Certificates of Deposit	253,578
Receivables	13,063
Prepaid Expenses	8,626
Lease Obligation Receivable, Net - Due from University	28,689,179
Promises to Give, Net	1,175,990
Investment Securities	53,108,402
Property and Equipment, Net	5,119,145
	<hr/>
Total Assets	<u><u>\$ 99,592,540</u></u>

LIABILITIES

Accounts Payable and Other Accruals	\$ 537,404
Bonds Payable, Net	32,637,913
	<hr/>
Total Liabilities	<u>33,175,317</u>

NET ASSETS

Without Donor Restrictions:	
Undesignated	16,977,552
Board Designated for Endowment	15,464,175
	<hr/>
	32,441,727
With Donor Restrictions	33,975,496
	<hr/>
Total Net Assets	<u>66,417,223</u>
	<hr/>
Total Liabilities and Net Assets	<u><u>\$ 99,592,540</u></u>

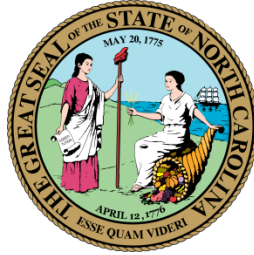
The accompanying notes to the financial statements are an integral part of this statement.

Winston-Salem State University Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2022

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Gifts and Grants	\$ 80,513	\$ 5,552,734	\$ 5,633,247
Investment Income, Net	547,797	-	547,797
Realized and Unrealized Gains (Losses) on Investments	(3,289,279)	1,180,461	(2,108,818)
Administrative Fees	282,248	-	282,248
Program Income	169,085	510,414	679,499
Lease Income	2,012,472	-	2,012,472
Amortization of Bond Premium, Net	265,870	-	265,870
	68,706	7,243,609	7,312,315
Net Assets Released from Restrictions	3,857,539	(3,857,539)	-
Total Support and Revenue	3,926,245	3,386,070	7,312,315
EXPENSES			
Program Services	5,439,695	-	5,439,695
Management and General	1,387,105	-	1,387,105
Total Expenses	6,826,800	-	6,826,800
Change in Net Assets	(2,900,555)	3,386,070	485,515
NET ASSETS			
Net Assets, Beginning of Year	35,342,282	30,589,426	65,931,708
Net Assets, End of Year	\$ 32,441,727	\$ 33,975,496	\$ 66,417,223

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. Winston-Salem State University (University) is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component unit. 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 unit is discretely presented in the University's financial statements. See below for further discussion of the University's component unit. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit - The Winston-Salem State University Foundation, Inc. and Subsidiary (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University. The Winston-Salem State University Housing Foundation, LLC is the wholly owned subsidiary of the Foundation.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of not less than five and not more than 27 elected directors, with the number at any given time being set by the Board of Directors. In addition to the elected directors, the Chancellor and Vice Chancellor for University Advancement of the University shall be voting members of the Board. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2022, the Foundation distributed \$1,140,704.00 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Winston-Salem State University Foundation, Inc. and Subsidiary, 304 Blair Hall, 601 Martin Luther King, Jr. Drive, Winston-Salem, NC 27110 or by calling (336) 750-3005.

B. Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and GASB Statement No. 84, *Fiduciary Activities*, the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

D. Cash and Cash Equivalents - This classification includes deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

Money market mutual funds are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts.

F. Receivables - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. Inventories - Inventories, consisting of fuel oil held for consumption, are valued at cost using the last invoice cost method. Inventories of postage are valued at retail cost.

- 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 except for purchased computer software which is capitalized when the value or cost is \$100,000 or greater. 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 and amortization are computed using the straight-line method over the estimated useful lives of the assets in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-100 years
Machinery and Equipment	2-30 years
General Infrastructure	10-50 years
Computer Software	2-7 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 and endowment and other restricted investments.
- J. Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.

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

borrowings. Other long-term liabilities include: leases payable, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

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

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 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:

Net Investment in Capital Assets - This represents the University's total investment in capital assets, net of outstanding liabilities related to those 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, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, workers' compensation, pension plans, and other postemployment benefits.

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

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

P. Revenue and Expense Recognition - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally

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

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

- Q. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as copy centers, motor pool, postal services, telecommunications, and facility rentals. 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 \$62,480,611.56, 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.

B. Investments

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

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

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

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

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

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

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

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

UNC Investment Fund, LLC - At June 30, 2022, the University's investments include \$51,098,283.90, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

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

Non-Pooled Investments

Investment Type	Amount	Investment Maturities (in Years)
		Less Than 1
Debt Securities		
Money Market Mutual Funds	\$ 7.04	\$ 7.04

At June 30, 2022, the money market mutual funds, with an amortized cost of \$7.04, were rated AAAM by Standard and Poor's.

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

Investment Type	Amount
Debt Securities	
Money Market Mutual Funds	\$ 7.04
Other Securities	
UNC Investment Fund	51,098,283.90
Total Investments	\$ 51,098,290.94

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

Investment Type	Amount
UNC Investment Fund, LLC	\$ 35,979,132
Stocks, Including Exchange-Traded Funds	108,714
Mutual Funds	16,031,249
Money Market Funds	989,307
Total Investments	\$ 53,108,402

NOTE 3 - FAIR VALUE MEASUREMENTS

University - To the extent available, the University's investments are recorded at fair value as of June 30, 2022. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement

establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

Short-Term Investment Fund - At year-end, the University's investments held in the STIF were valued at \$62,480,611.56. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The University's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

UNC Investment Fund - At year-end, the University's investments held in the UNC Investment Fund were valued at \$51,098,283.90. Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund's operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The University's position in the pool is measured and reported at fair value and the UNC Investment Fund is not required to be categorized within the fair value hierarchy.

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

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value are categorized depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable data for substantially the full term of the assets or liabilities. Level 3 inputs are

unobservable for the asset or liability, including the Foundation's own assumptions in determining the fair value of assets or liabilities.

Valuation techniques used in the fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

The following is a description of the valuation methodologies used by the Foundation for assets measured at fair value:

- **UNC Investment Fund, LLC** - Recorded at the amount that represents the Foundation's equity position in the UNC Investment Fund, LLC. This pooled investment fund determines ownership on a market unit valuation basis each month. The fund is a broadly diversified portfolio of assets including domestic and international equities, private equities, real estate, commodities, and fixed income securities. Due to the significance of alternative investments in the fund which have limited or no observable market data necessary to determine fair value, the entire fund is considered to fall within Level 3 measurements in the fair value hierarchy under GAAP.
- **Stocks, Mutual Funds, and Money Market Funds** - Valued at the closing price reported on the active markets on which individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments				
Money Market Funds	\$ 989,307	\$ -	\$ -	\$ 989,307
Mutual Funds	16,031,249	-	-	16,031,249
Stocks	108,714	-	-	108,714
UNC Investment Fund, LLC	-	-	35,979,132	35,979,132
Total Assets at Fair Value	\$ 17,129,270	\$ -	\$ 35,979,132	\$ 53,108,402

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2022:

Balance, Beginning of Year	\$ 23,991,565
Purchases	11,877,799
Redemptions	(653,873)
Unrealized and Realized Gains	928,293
Investment Advisory Fees	(164,652)
Balance, End of Year	<u>\$ 35,979,132</u>

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). The total spending rate is calculated annually by taking the sum of the market value of the endowment investments for the preceding 12 quarters and dividing the result by 12. For the fiscal year ended June 30, 2022, the Board of Trustees approved spending from the average value shall be at a rate of four and a half percent, paid out proportionately on a quarterly basis. 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 \$31,976,477.41 was available to be spent, all of which was classified in net position as restricted expendable for scholarships, research, instruction, and other as it is restricted for specific purposes.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2022, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,375,644.12	\$ 883,816.80	\$ 491,827.32
Accounts	217,161.73	-	217,161.73
Intergovernmental	4,112,731.32	-	4,112,731.32
Other	197,653.41	-	197,653.41
Total Current Receivables	\$ 5,903,190.58	\$ 883,816.80	\$ 5,019,373.78
Notes Receivable - Current:			
Federal Loan Programs	\$ 571,512.89	\$ 4,987.48	\$ 566,525.41
Institutional Student Loan Programs	122,179.85	39,279.08	82,900.77
Total Notes Receivable - Current	\$ 693,692.74	\$ 44,266.56	\$ 649,426.18

NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2021 (as Restated)	Increases	Decreases	Balance June 30, 2022
Capital Assets, Nondepreciable:				
Land	\$ 5,231,051.56	\$ -	\$ -	\$ 5,231,051.56
Art, Literature, and Artifacts	953,772.00	-	-	953,772.00
Construction in Progress	1,296,077.69	2,752,209.46	2,752,209.46	1,296,077.69
Total Capital Assets, Nondepreciable	7,480,901.25	2,752,209.46	2,752,209.46	7,480,901.25
Capital Assets, Depreciable:				
Buildings	329,709,619.37	2,752,209.46	-	332,461,828.83
Machinery and Equipment	21,993,910.90	1,431,566.74	-	23,425,477.64
General Infrastructure	19,385,761.15	-	-	19,385,761.15
Computer Software	358,251.00	-	-	358,251.00
Right-to-Use Leased Land	149,619.18	-	-	149,619.18
Right-to-Use Leased Buildings	1,614,436.48	-	-	1,614,436.48
Total Capital Assets, Depreciable	373,211,598.08	4,183,776.20	-	377,395,374.28
Less Accumulated Depreciation/Amortization for:				
Buildings	104,494,632.10	7,768,835.19	-	112,263,467.29
Machinery and Equipment	13,911,850.64	1,231,929.38	-	15,143,780.02
General Infrastructure	9,237,936.60	637,032.22	-	9,874,968.82
Computer Software	358,251.00	-	-	358,251.00
Right-to-Use Leased Land	-	7,979.69	-	7,979.69
Right-to-Use Leased Buildings	-	101,430.56	-	101,430.56
Total Accumulated Depreciation/Amortization	128,002,670.34	9,747,207.04	-	137,749,877.38
Total Capital Assets, Depreciable, Net	245,208,927.74	(5,563,430.84)	-	239,645,496.90
Capital Assets, Net	\$252,689,828.99	\$(2,811,221.38)	\$ 2,752,209.46	\$247,126,398.15

At year-end, the total amount of leased assets was \$1,764,055.66 and the related accumulated amortization was \$109,410.25.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 636,749.59
Accounts Payable - Capital Assets	44,774.10
Accrued Payroll	77,057.63
Contract Retainage	887.28
Other	1,896.84
Total Current Accounts Payable and Accrued Liabilities	\$ 761,365.44

NOTE 8 - LONG-TERM LIABILITIES

University

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 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	\$ 51,155,000.00	\$22,520,000.00	\$27,840,000.00	\$ 45,835,000.00	\$1,590,000.00
Plus: Unamortized Premium	3,354,943.55	4,488,975.25	526,896.51	7,317,022.29	-
Total Revenue Bonds Payable, Net	54,509,943.55	27,008,975.25	28,366,896.51	53,152,022.29	1,590,000.00
Notes from Direct Borrowings	3,895,712.77	-	561,923.45	3,333,789.32	591,683.40
Total Long-Term Debt	58,405,656.32	27,008,975.25	28,928,819.96	56,485,811.61	2,181,683.40
Other Long-Term Liabilities					
Leases Payable	1,764,055.66	-	117,999.46	1,646,056.20	126,429.23
Employee Benefits					
Compensated Absences	5,198,455.00	3,056,709.00	3,666,314.00	4,588,850.00	951,350.00
Net Pension Liability	23,355,708.00	-	14,512,616.00	8,843,092.00	-
Net Other Postemployment Benefits Liability	77,442,729.00	7,651,632.00	-	85,094,361.00	-
Workers' Compensation	3,212,630.00	502,998.29	519,433.57	3,196,194.72	326,903.00
Total Other Long-Term Liabilities	110,973,577.66	11,211,339.29	18,816,363.03	103,368,553.92	1,404,682.23
Total Long-Term Liabilities, Net	\$169,379,233.98	\$38,220,314.54	\$47,745,182.99	\$159,854,365.53	\$3,586,365.63
Other Long-Term Debt					
Limited Obligation Bonds					
Due to University Component Unit	\$ 32,170,000.00	\$ -	\$ 1,625,000.00	\$ 30,545,000.00	\$1,700,000.00

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Purpose	Series	Interest Rate Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2022
Revenue Bonds Payable					
Housing and Dining System					
2017 General Revenue Bonds	2017	3.00%-5.00%	10/01/2046	\$23,589,748.95	\$ 22,023,808.00
2022 General Revenue Bonds (A)	2022	4.00%-5.00%	04/01/2043	11,149,652.00	11,023,401.50
Total Housing and Dining System				34,739,400.95	33,047,209.50
Student Services System					
2017 General Revenue Bonds	2017	3.00%-5.00%	10/01/2046	1,655,251.05	1,546,192.00
2022 General Revenue Bonds (A)	2022	4.00%-5.00%	04/01/2043	7,132,084.00	7,051,325.50
Total Student Services System				8,787,335.05	8,597,517.50
Parking System					
2022 General Revenue Bonds (A)	2022	4.00%-5.00%	04/01/2043	4,238,264.00	4,190,273.00
Total Revenue Bonds Payable (principal only)				<u>\$47,765,000.00</u>	45,835,000.00
Plus: Unamortized Premium					7,317,022.29
Total Revenue Bonds Payable, Net					<u>\$ 53,152,022.29</u>
Limited Obligation Bonds - Due to University Component Unit					
2014 Limited Obligation Bonds	2014	2.00%-5.00%	06/01/2036	\$27,990,000.00	\$ 20,220,000.00
2016 Limited Obligation Bonds	2016	2.00%-5.00%	06/01/2036	13,235,000.00	10,325,000.00
Total Limited Obligation Bonds - Due to University Component Unit				<u>\$41,225,000.00</u>	<u>\$ 30,545,000.00</u>

(A) Winston-Salem State University 2022 General Revenue Bonds, Series 2022 current refunding of General Revenue Bonds, Series 2013.

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

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2022
Energy Performance Contract	Siemens Public, Inc.	3.81%	09/30/2027	\$ 6,517,358.00	\$ 3,289,102.34
UNC System Guaranteed Energy Savings Project	Banc of America Public Capital Corp.	1.84%	02/14/2023	370,679.00	44,686.98
Total Notes from Direct Borrowings				<u>\$ 6,888,037.00</u>	<u>\$ 3,333,789.32</u>

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		Limited Obligation Bonds - Due to University Component Unit		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 1,590,000.00	\$ 2,144,200.00	\$ 1,700,000.00	\$ 1,450,850.00	\$ 591,638.78	\$ 118,063.80
2024	1,680,000.00	2,073,125.00	1,790,000.00	1,365,850.00	584,319.74	96,245.68
2025	1,775,000.00	1,997,975.00	1,875,000.00	1,276,350.00	620,709.34	73,467.20
2026	1,870,000.00	1,918,625.00	1,970,000.00	1,182,600.00	658,781.99	49,278.37
2027	1,965,000.00	1,824,375.00	2,065,000.00	1,084,100.00	698,606.90	23,614.08
2028-2032	11,600,000.00	7,511,375.00	11,835,000.00	3,941,900.00	179,732.57	1,712.03
2033-2037	11,740,000.00	4,578,300.00	9,310,000.00	1,048,625.00	-	-
2038-2042	7,070,000.00	2,511,925.00	-	-	-	-
2043-2047	6,545,000.00	802,650.00	-	-	-	-
Total Requirements	\$ 45,835,000.00	\$ 25,362,550.00	\$ 30,545,000.00	\$ 11,350,275.00	\$ 3,333,789.32	\$ 362,381.16

Interest on variable rate debt is predetermined in each of the bond covenants.

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

Revenue Bonds Payable - The University has two revenue bond issuances (Series 2017 and 2022) for which available funds of the University are pledged toward debt payments. These agreements also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) a failure to pay the principal of or premium, if any, on any bond when the same becomes due and payable, whether at the stated maturity thereof or on proceedings for redemption including sinking fund redemptions; (2) a failure to pay any installment of interest when the same becomes due and payable; and (3) a failure by the Board to observe and perform any covenant, condition, agreement or provision (other than as described in subsections (1) and (2) above) contained in the bonds or in the General Indenture on the part of the Board to be observed or performed, which failure continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Board by the Trustee, which may give such notice in its discretion and must give such notice at the written request of Owners of not less than 25% of principal amount of the bonds, unless the Trustee, or the Trustee and Owners of a principal amount of bonds not less than the principal amount of bonds the Owners of which requested such notice, as the case may be, agrees in writing to an extension of such period before its expiration.

On the occurrence and continuance of an Event of Default, the Trustee may, or if required by a majority of the Owners of the bonds, must, declare the bonds to be immediately due and payable, whereupon they will, without further action, become due and payable, anything in the General Indenture or in the bonds to the contrary notwithstanding.

Limited Obligation Bonds - Due to University Component Unit - The University has limited obligation bonds due to the Foundation for which the University is responsible for via a use agreement. This limited obligation is payable solely from (1) net project revenues and (2) dormitory system revenues after payment of the University's general revenue debt. These agreements also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay any principal and interest when due, or (2) the University fails to observe and perform

any other covenant, condition, or agreement on its part to be observed or performed for a period of 30 days after written notice specifying such failure and requesting that it be remedied.

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

Notes from Direct Borrowings - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for the UNC System Guaranteed Energy Savings Installment Financing Agreement dated September 1, 2014 and the Siemens Public Guaranteed Energy Savings Installment Financing Agreement dated September 15, 2011. These agreements also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due; (2) an event of nonappropriation from the State occurs; (3) insurance coverage on the asset is not maintained; or (4) the University fails to perform any warranty, covenant, condition, or agreement within thirty days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within thirty days.

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

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

On January 13, 2022, the University issued \$22,520,000.00 in General Revenue Refunding Bonds, Series 2022 with an average interest rate of 2.19%. The bonds were issued for a current refunding of \$26,015,000.00 of outstanding General Revenue Bonds, Series 2013 with an average interest rate of 5.06%. The refunding was undertaken to reduce total debt service payments by \$8,250,311.00 over the next 22 years and resulted in an economic gain of \$6,929,435.00. The substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited.

Component Unit

Bonds Payable - Three student housing facilities have been financed through the issuance of bonds.

In August 2014, \$27,990,000 of Series 2014 bonds were issued. The original purpose of this debt was to construct two student residence halls for which the University leases from the

Foundation. These bonds mature at various intervals through 2036, and bear interest at fixed rates ranging from 2% to 5%.

In September 2016, the Foundation issued \$13,235,000 in Series 2016 Refunding Limited Obligation (Winston-Salem State University Student Housing Project) refunding bonds. The original purpose of this debt was to construct Foundation Heights, a student residence hall, for which the University leases from the Foundation. These bonds mature at various intervals through 2036, and bear interest at fixed rates ranging from 2% to 5%.

Bonds payable are as follows at June 30, 2022:

	Amount
Series 2014 Bonds	\$ 20,220,000
Series 2016 Bonds	10,325,000
Gross Bonds Payable	30,545,000
Unamortized Bond Premium	2,496,379
Unamortized Debt Issuance Costs	(403,466)
Total Bonds Payable, Net	\$ 32,637,913

Scheduled maturities of the bonds as follows:

Fiscal Year	Amount
2023	\$ 1,700,000
2024	1,790,000
2025	1,875,000
2026	1,970,000
2027	2,065,000
Thereafter (2028-2036)	21,145,000
Total Requirements	\$ 30,545,000

Unamortized bond premium is amortized over the lives of the related bond issues using the interest method. Amortization of the bond premium amounted to \$265,870 for the year ended June 30, 2022.

In connection with the financing arrangements for the construction of the student housing facilities, the Foundation paid certain fees and expenses. These debt issuance costs, including insurance premiums and other issuance costs, are being amortized over the terms of the bonds using the interest method. Any unamortized cost would be charged to earnings upon repayment of or in connection with a material change in the terms of the underlying debt agreement. Amortization of debt issuance costs was \$50,563 for the year ended June 30, 2022. Accumulated amortization amounted to \$258,779 at June 30, 2022.

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	Interest Rate
Lessor:					
Buildings	1	\$ 596,555.15	\$ 136,213.39	5 Years	1.02%
Lessee:					
Right-to-Use Land	1	\$ (144,508.57)	\$ (4,796.78)	18 Years	2.46%
Right-to-Use Building	1	(1,501,547.63)	(121,632.45)	16 Years	2.21%
Total	2	\$ (1,646,056.20)	\$ (126,429.23)		

A. Lease Receivable - The lease is a three-year agreement with the option to renew for an additional two years (management considers likely to be exercised) for the rental of the University's Child Development Center by Family Services, Inc. The payment schedule for the five-year period is fixed and specified in the agreement. The University recognized \$162,892.69 in rental lease income and \$4,789.83 in lease interest revenue for this lease in fiscal year 2022.

B. Lease Liability - The lease for the right-to-use land is between the City of Winston-Salem (lessor) and the University (lessee) for the use of land known as Civitan Park for a practice football facility and an eight-lane track. The agreement commenced on April 1, 2007, and terminates on March 31, 2040, with a fixed payment schedule over the life of the lease.

The lease for the right-to-use building is between the City of Winston-Salem (lessor) and the University (lessee) for the use of the Bowman Gray Stadium Fieldhouse. The agreement commenced on September 1, 2006, and terminates on May 1, 2037, with a fixed payment schedule over the life of the lease.

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

Fiscal Year	Principal	Interest	Total
2023	\$ 126,429.23	\$ 36,915.24	\$ 163,344.47
2024	134,500.26	34,094.54	168,594.80
2025	147,759.00	31,093.64	178,852.64
2026	156,321.01	27,797.21	184,118.22
2027	170,082.20	24,309.57	194,391.77
2028-2032	833,111.97	58,246.08	891,358.05
2033-2037	52,407.20	7,130.89	59,538.09
2038-2040	25,445.33	945.50	26,390.83
Total	\$ 1,646,056.20	\$ 220,532.67	\$1,866,588.87

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	\$ (11,336,839.00)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(106,746,310.78)
Effect on Unrestricted Net Position	(118,083,149.78)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	35,645,568.17
Total Unrestricted Net Position	\$ (82,437,581.61)

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

NOTE 11 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$33,431,449.56</u>	<u>\$ 9,570,348.20</u>	<u>\$ 210,634.11</u>	<u>\$23,650,467.25</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$16,340,395.20	\$ 3,314,553.46	\$ -	\$13,025,841.74
Dining	10,013,704.30	2,212,380.58	-	7,801,323.72
Student Union Services	2,345,550.39	-	-	2,345,550.39
Health, Physical Education, and Recreation Services	605,182.64	-	-	605,182.64
Parking	873,204.15	-	-	873,204.15
Athletic	292,390.26	-	-	292,390.26
Telcommunications	98,269.81	-	-	98,269.81
Other	95,000.00	-	-	95,000.00
Total Sales and Services, Net	<u>\$30,663,696.75</u>	<u>\$ 5,526,934.04</u>	<u>\$ -</u>	<u>\$25,136,762.71</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	\$ 33,804,207.21	\$ 4,208,215.50	\$ -	\$ -	\$ -	\$ 38,012,422.71
Research	1,481,030.66	1,059,004.79	-	-	-	2,540,035.45
Public Service	815,623.47	355,543.42	-	-	-	1,171,166.89
Academic Support	3,275,307.10	7,564,736.23	-	-	-	10,840,043.33
Student Services	2,620,914.16	772,971.03	-	-	-	3,393,885.19
Institutional Support	11,398,884.92	18,623,098.04	-	-	-	30,021,982.96
Operations and Maintenance of Plant	5,417,866.08	4,337,434.18	-	2,719,836.56	-	12,475,136.82
Student Financial Aid	347,770.37	382,500.13	34,442,847.26	-	-	35,173,117.76
Auxiliary Enterprises	6,003,407.30	13,113,842.52	-	562,259.83	-	19,679,509.65
Depreciation/Amortization	-	-	-	-	9,747,207.04	9,747,207.04
Total Operating Expenses	\$ 65,165,011.27	\$ 50,417,345.84	\$ 34,442,847.26	\$ 3,282,096.39	\$ 9,747,207.04	\$ 163,054,507.80

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 \$4,788,902.41 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 \$1,950,883.73, and the University's contributions were \$5,325,912.58 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 \$8,843,092.00 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 0.18885%, which was a decrease of 0.00446 from its proportion measured as of June 30, 2020, which was 0.19331%.

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:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary 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:

<u>Net Pension Liability</u>		
<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
\$ 29,663,062.31	\$ 8,843,092.00	\$ (8,463,522.37)

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 \$2,179,343.00. 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	\$ 497,082.00	\$ 200,836.00
Changes of Assumptions	3,317,139.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	10,956,701.00
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	41,032.42	517,376.00
Contributions Subsequent to the Measurement Date	5,325,912.58	-
Total	\$ 9,181,166.00	\$ 11,674,913.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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	\$ (1,433,442.00)
2024	(1,470,874.00)
2025	(1,556,838.00)
2026	(3,358,505.58)
Total	\$ (7,819,659.58)

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 \$59,118,299.02, of which \$19,610,204.36 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$1,176,612.26 and \$1,341,337.98, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions. A total of \$114,640.81 in forfeitures was reflected in pension expense for the fiscal year 2022.

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 \$3,278,658.30 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 \$514,718.00.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the 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 \$46,912.44 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 \$85,094,361.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 0.27525%, which was a decrease of 0.00391 from its proportion measured as of June 30, 2020, which was 0.27916%.

Net OPEB Asset: At June 30, 2022, the University reported an asset of \$43,829.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The University's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 0.26833%, which was a decrease of 0.01765 from its proportion measured as of June 30, 2020, which was 0.28598%.

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	\$ 101,219,469.00	\$ 85,094,361.00	\$ 72,036,302.00
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	\$ (27,673.00)	\$ (43,829.00)	\$ (58,775.00)

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	\$ 68,912,738.00	\$ 85,094,361.00	\$ 106,562,658.00
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	\$ (46,131.00)	\$ (43,829.00)	\$ (40,961.00)

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

OPEB Plan	Amount
RHBF	\$ (7,098,110.00)
DIPNC	105,494.00
Total OPEB Expense	\$ (6,992,616.00)

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	\$ 502,385.00	\$ 111,751.00	\$ 614,136.00
Changes of Assumptions	6,959,986.00	7,696.00	6,967,682.00
Net Difference Between Projected and Actual Earnings on Plan Investments	-	4,277.00	4,277.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,636,581.92	54,272.56	1,690,854.48
Contributions Subsequent to the Measurement Date	3,278,658.30	46,912.44	3,325,570.74
Total	\$ 12,377,611.22	\$ 224,909.00	\$ 12,602,520.22

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

	RHBFB	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 1,584,002.00	\$ -	\$ 1,584,002.00
Changes of Assumptions	20,679,779.00	15,912.00	20,695,691.00
Net Difference Between Projected and Actual Earnings on Plan Investments	43,529.00	-	43,529.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	11,722,251.00	-	11,722,251.00
Total	\$ 34,029,561.00	\$ 15,912.00	\$ 34,045,473.00

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 RHBFB 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:	RHBFB	DIPNC
2023	\$ (14,015,947.00)	\$ 37,797.00
2024	(5,320,217.00)	28,669.00
2025	(3,296,698.00)	34,479.00
2026	(3,059,307.00)	20,532.00
2027	761,560.92	12,809.00
Thereafter	-	27,798.56
Total	\$ (24,930,608.08)	\$ 162,084.56

NOTE 15 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The University is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. The University also purchased through the Fund "all risk" coverage against losses caused by fire, windstorm or hail, explosion, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, volcanic action, falling objects, weight of snow, ice or sleet, water damage, theft, and any other loss not specifically excluded on certain buildings and contents.

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.

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 \$2,453,449.81 and on other purchases were \$1,401,879.88 at June 30, 2022.
- B. Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

NOTE 17 - 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

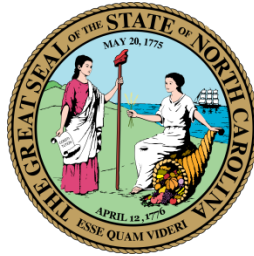
GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions 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 18 - NET POSITION RESTATEMENT

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

	<u>Amount</u>
July 1, 2021 Net Position as Previously Reported	\$ 107,970,245.63
Restatement: Implementation of GASB 87	
Record the University's Lease Assets, Liabilities, and Deferred Inflows	
of Resources Pursuant to GASB 87 Requirements	<u>386,250.00</u>
July 1, 2021 Net Position as Restated	<u>\$ 108,356,495.63</u>



REQUIRED SUPPLEMENTARY INFORMATION

Winston-Salem State University
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Nine Fiscal Years*

Exhibit C-1

Teachers' and State Employees' Retirement System	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net Pension Liability	0.18885%	0.19331%	0.20813%	0.22624%	0.22259%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 8,843,092.00	\$ 23,355,708.00	\$ 21,576,748.00	\$ 22,524,656.00	\$ 17,661,272.00
Covered Payroll	\$ 33,520,716.68	\$ 34,657,363.15	\$ 35,555,573.64	\$ 36,553,692.04	\$ 35,447,028.56
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	26.38%	67.39%	60.68%	61.62%	49.82%
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	0.23152%	0.23991%	0.24667%	0.24290%	
Proportionate Share of TSERS Collective Net Pension Liability	\$ 21,279,080.00	\$ 8,841,159.00	\$ 2,892,011.00	\$ 14,746,505.00	
Covered Payroll	\$ 35,253,636.84	\$ 35,992,422.42	\$ 36,471,278.37	\$ 36,534,751.72	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	60.36%	24.56%	7.93%	40.36%	
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.

Winston-Salem State University
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years

Exhibit C-2

Teachers' and State Employees' Retirement System	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 5,325,912.58	\$ 4,954,361.93	\$ 4,495,060.00	\$ 4,369,780.00	\$ 3,940,488.00
Contributions in Relation to the Contractually Determined Contribution	5,325,912.58	4,954,361.93	4,495,060.00	4,369,780.00	3,940,488.00
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 32,514,728.84	\$ 33,520,716.68	\$ 34,657,363.15	\$ 35,555,573.64	\$ 36,553,692.04
Contributions as a Percentage of Covered Payroll	16.38%	14.78%	12.97%	12.29%	10.78%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 3,537,613.45	\$ 3,225,707.77	\$ 3,293,306.65	\$ 3,169,354.09	\$ 3,043,344.82
Contributions in Relation to the Contractually Determined Contribution	3,537,613.45	3,225,707.77	3,293,306.65	3,169,354.09	3,043,344.82
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 35,447,028.56	\$ 35,253,636.84	\$ 35,992,422.42	\$ 36,471,278.37	\$ 36,534,751.72
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.

Winston-Salem State University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 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

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

Exhibit C-3
Page 1 of 2

Retiree Health Benefit Fund	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net OPEB Liability	0.27525%	0.27916%	0.29853%	0.31354%	0.30306%
Proportionate Share of Collective Net OPEB Liability	\$ 85,094,361.00	\$ 77,442,729.00	\$ 94,453,926.00	\$ 89,322,133.00	\$ 99,363,488.00
Covered Payroll	\$ 53,318,312.41	\$ 55,161,098.25	\$ 56,209,441.79	\$ 57,364,183.84	\$ 56,169,626.15
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	159.60%	140.39%	168.04%	155.71%	176.90%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.72%	6.92%	4.40%	4.40%	3.52%
	2017				
Proportionate Share Percentage of Collective Net OPEB Liability	0.33759%				
Proportionate Share of Collective Net OPEB Liability	\$ 146,863,125.00				
Covered Payroll	\$ 55,545,610.59				
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	264.40%				
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.41%				

Winston-Salem State University
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last 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	0.26833%	0.28598%	0.29888%	0.32500%	0.32565%
Proportionate Share of Collective Net OPEB Asset	\$ 43,829.00	\$ 140,685.00	\$ 128,967.00	\$ 98,722.00	\$ 199,037.00
Covered Payroll	\$ 53,318,312.41	\$ 55,161,098.25	\$ 56,209,441.79	\$ 57,364,183.84	\$ 56,169,626.15
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.08%	0.26%	0.23%	0.17%	0.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.18%	115.57%	113.00%	108.47%	116.23%
	2017				
Proportionate Share Percentage of Collective Net OPEB Asset	0.32565%				
Proportionate Share of Collective Net OPEB Asset	\$ 202,229.00				
Covered Payroll	\$ 55,545,610.59				
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.

Winston-Salem State University
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

Retiree Health Benefit Fund	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 3,278,658.30	\$ 3,561,663.27	\$ 3,568,923.06	\$ 3,524,332.00	\$ 3,470,533.12
Contributions in Relation to the Contractually Determined Contribution	<u>3,278,658.30</u>	<u>3,561,663.27</u>	<u>3,568,923.06</u>	<u>3,524,332.00</u>	<u>3,470,533.12</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 52,124,933.20	\$ 53,318,312.41	\$ 55,161,098.25	\$ 56,209,441.79	\$ 57,364,183.84
Contributions as a Percentage of Covered Payroll	6.29%	6.68%	6.47%	6.27%	6.05%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 3,263,455.28	\$ 3,110,554.19	\$ 3,079,732.92	\$ 3,121,030.81	\$ 3,104,043.14
Contributions in Relation to the Contractually Determined Contribution	<u>3,263,455.28</u>	<u>3,110,554.19</u>	<u>3,079,732.92</u>	<u>3,121,030.81</u>	<u>3,104,043.14</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 56,169,626.15	\$ 55,545,610.59	\$ 56,097,138.83	\$ 57,796,866.84	\$ 58,566,851.65
Contributions as a Percentage of Covered Payroll	5.81%	5.60%	5.49%	5.40%	5.30%

Winston-Salem State University
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

Disability Income Plan of North Carolina	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 46,912.44	\$ 47,986.48	\$ 55,161.10	\$ 78,693.22	\$ 80,309.86
Contributions in Relation to the Contractually Determined Contribution	46,912.44	47,986.48	55,161.10	78,693.22	80,309.86
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 52,124,933.20	\$ 53,318,312.41	\$ 55,161,098.25	\$ 56,209,441.79	\$ 57,364,183.84
Contributions as a Percentage of Covered Payroll	0.09%	0.09%	0.10%	0.14%	0.14%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 213,444.58	\$ 227,737.00	\$ 229,998.27	\$ 254,306.21	\$ 257,694.15
Contributions in Relation to the Contractually Determined Contribution	213,444.58	227,737.00	229,998.27	254,306.21	257,694.15
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 56,169,626.15	\$ 55,545,610.59	\$ 56,097,138.83	\$ 57,796,866.84	\$ 58,566,851.65
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.

Winston-Salem State University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 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.

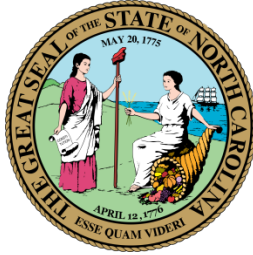
Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

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.

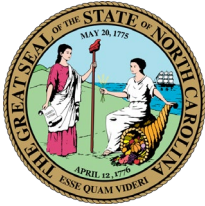
Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBF was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. In 2020, disability rates were adjusted to the non-grandfathered assumptions used in the 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

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

Board of Trustees
Winston-Salem State University
Winston-Salem, 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 Winston-Salem State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 December 13, 2022. Our report includes a reference to other auditors who audited the consolidated financial statements of the Winston-Salem State University Foundation, Inc. and Subsidiary (Foundation), as described in our report on the University's financial statements. The consolidated financial statements of the Foundation 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 the Foundation.

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

December 13, 2022

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This audit required 806.5 hours at an approximate cost of \$96,780.