

Business Affairs Committee FY 2023 Overview

February 8, 2024



UNIVERSITY *of*
NORTH CAROLINA
WILMINGTON

BOARD *of* TRUSTEES



FY 2023 AUDITED FINANCIAL STATEMENTS

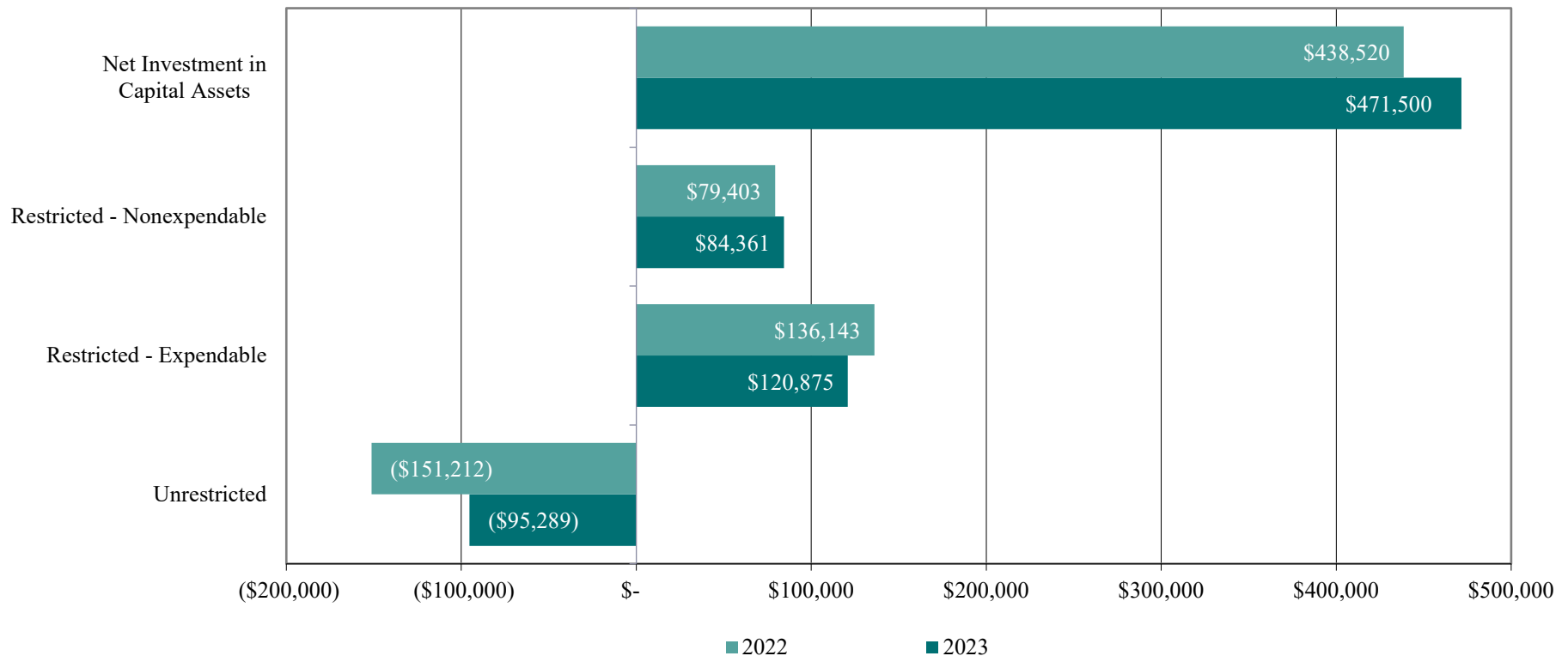
FY 2023 Financial Highlights

- NC State Auditor issued unqualified opinion
- No management letter comments or findings
- No material weaknesses in internal control over financial reporting
- No significant changes in accounting policies/practices
- No significant difficulties encountered during audits
- No disagreements with management
- Auditors received UNCW's Management Representation Letters associated with the financial statements audited
- NC State Auditor communicated via memo to the Audit Committee Chair at the conclusion of the audit
- Continued growth in net position, \$78.6 million



Net Position Increased \$78.6 Million

2023 Proprietary Fund Net Position \$581,447 (\$ Thousands)



GASB 68 & 75 Effect on Total Net Position

| \$ Thousands | FY23 | FY22 * |
|--|-------------------------|-------------------------|
| Total Net Position | \$581,447 | \$502,854 |
| Add back: | | |
| GASB 68 Impact - Pension** | 23,919 | 22,899 |
| GASB 75 Impact - OPEB*** | 240,498 | 271,418 |
| Total Net Position Before GASB 68 & 75 Impact | <u>\$845,864</u> | <u>\$797,171</u> |

* Restated

** Statement No. 68, Accounting and Financial Reporting for Pensions, revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits.

*** Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), replaces multiple previous statements and establish new accounting and financial reporting requirements for OPEB plans.

FY 2023 Change in Net Position

| \$ Thousands | FY 2023 | FY 2022* | FY2023 % Increase (decrease) |
|--------------------------------------|------------------|------------------|------------------------------------|
| Operating Loss | | | |
| Operating Revenues | \$215,978 | \$195,036 | 10.74% |
| Operating Expense | 382,561 | 369,964 | 3.40% |
| Total Operating Loss | (166,583) | (174,928) | -4.77% |
| Nonoperating Revenues (Expenses) | 230,067 | 226,981 | 1.36% |
| Income (Loss) Before Other Revenues | 63,484 | 52,053 | 21.96% |
| Other Revenues | 15,109 | 13,424 | 12.55% |
| Change in Net Position | \$78,593 | \$65,477 | 20.03% |
| Net Position July 1 | 502,854 | 437,394 | 14.97% |
| Change in Net Position (above) | 78,593 | 65,477 | 20.03% |
| Net Position June 30 | \$581,447 | \$502,871 | 15.63% |
| Net Position Adjustment | | (17) | |
| Restated Net Position June 30 | 581,447 | 502,854 | 15.63% |
| Change in Net Position (%) | 15.63% | 14.97% | |

**Restated*

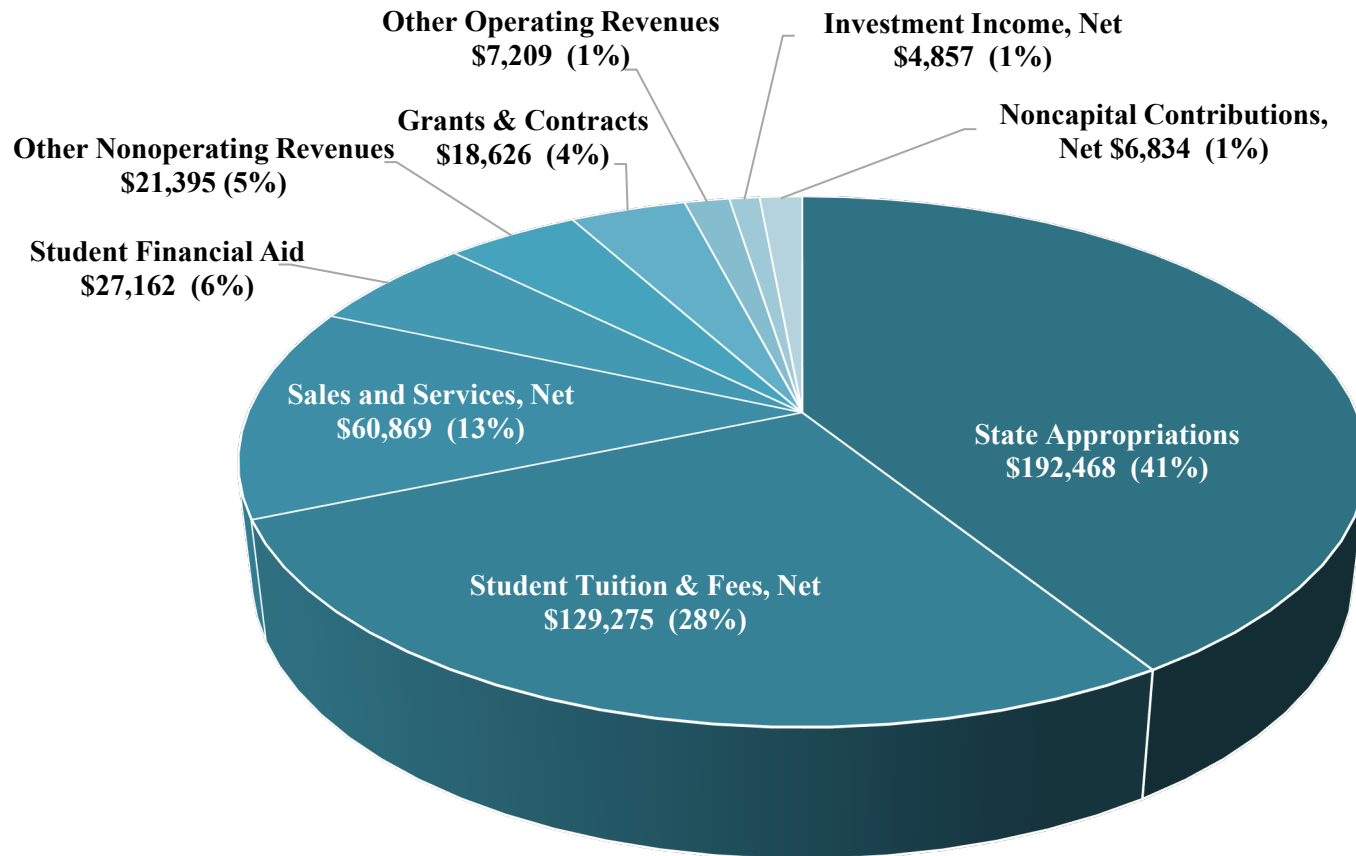


FY 2023 Cash Flow

| \$ Thousands | FY 2023 | FY 2022 |
|---------------------------------|--------------------------|--------------------------|
| Cash Provided (Used) by: | | |
| Operating Activities | \$ (177,202) | \$ (188,716) |
| Noncapital Financing Activities | 247,828 | 236,282 |
| Capital Financing Activities | (47,814) | (16,000) |
| Investing Activities | <u>5,439</u> | <u>618</u> |
| Net Change in Cash | 28,251 | 32,184 |
| Cash Beginning of Year | <u>220,769</u> | <u>188,585</u> |
| Cash End of Year | <u><u>\$ 249,020</u></u> | <u><u>\$ 220,769</u></u> |

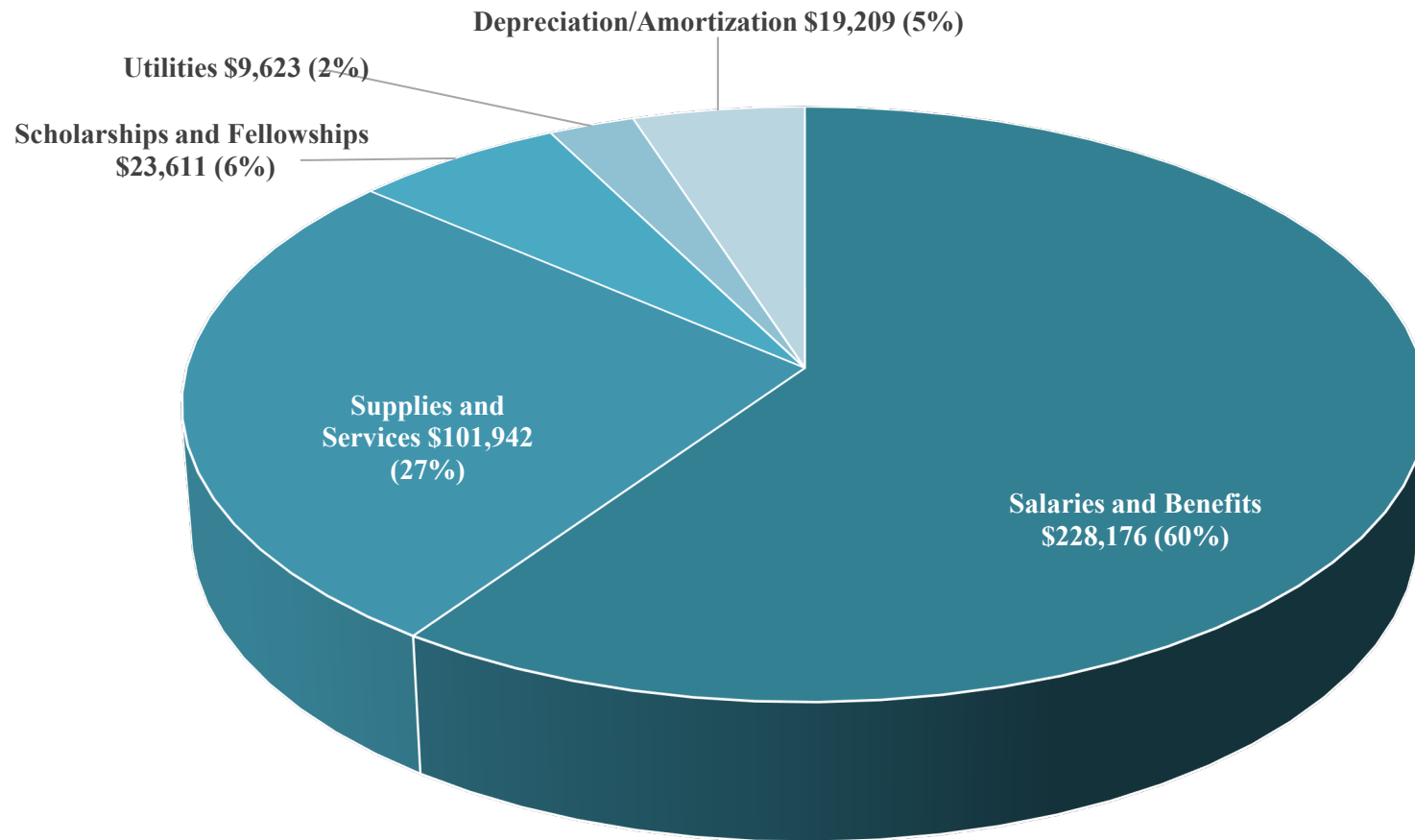
FY 2023 Diverse Revenue Sources

\$468,695 (\$ Thousands)



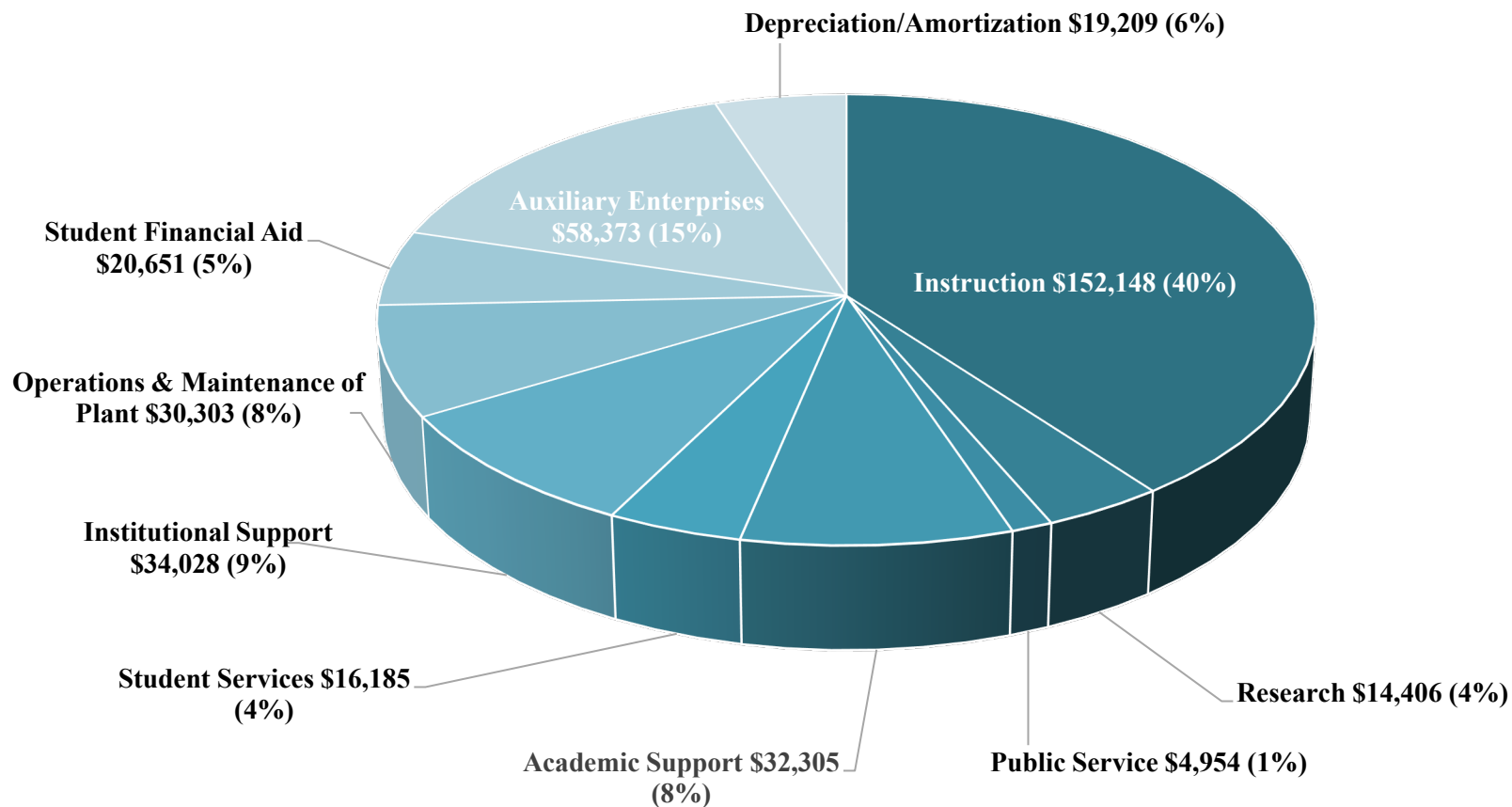
FY 2023 Total Operating Expense By Nature

\$382,561 (\$ Thousands)



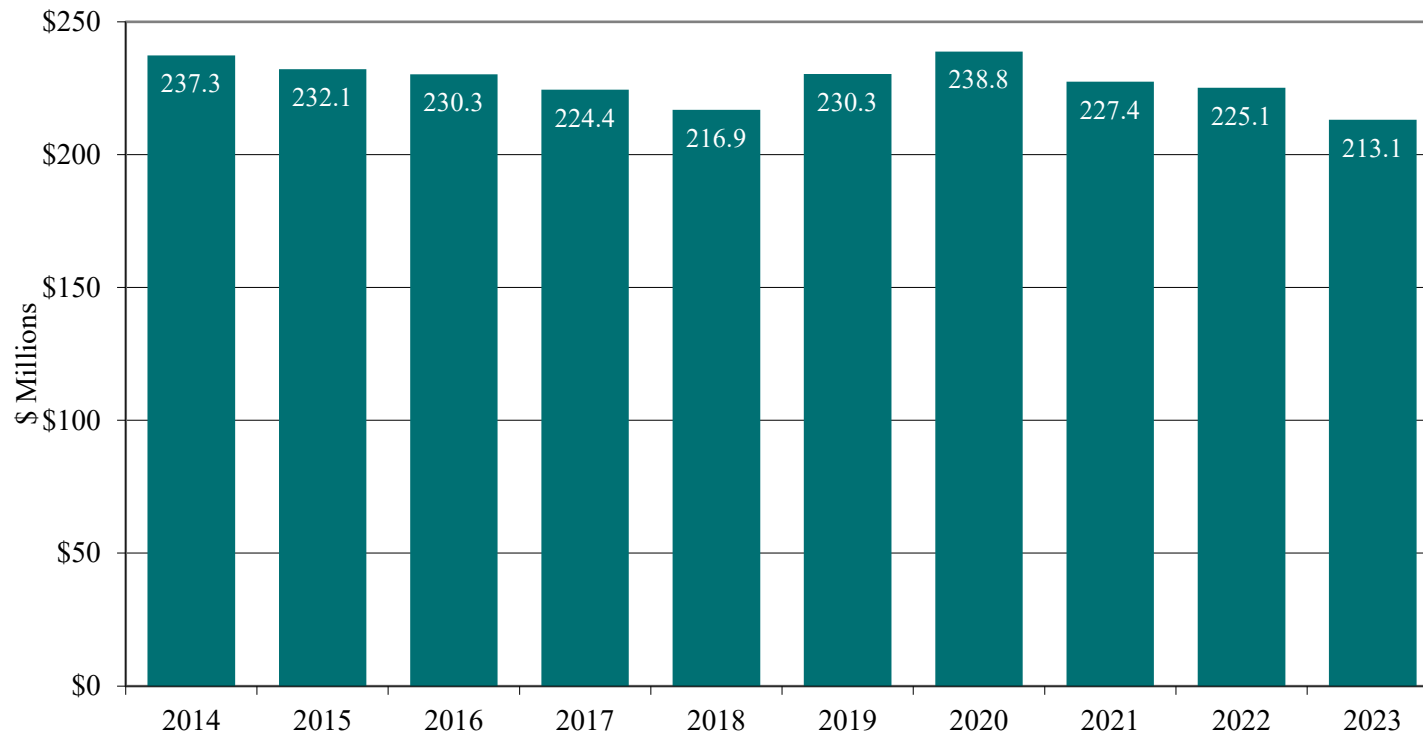
FY 2023 Total Operating Expense By Function

\$382,561 (\$ Thousands)



Long-Term Debt Summary

Debt Analysis 2014-2023 (Excluding Lease and SBITA Liabilities)



GASB 96 Subscription-Based Information Technology Arrangements (SBITAs)

- Implemented in FY23
- Capitalize subscription-based information technology arrangements (SBITAs) previously expensed as contracted services
- Recorded as right-to-use subscription assets and liabilities (SBITA liability – current and noncurrent)
- Impact on UNCW's Financial Statements
 - Capital Assets – Depreciable - \$12.3 million
 - Long-term Liabilities – Current Portion - \$3.9 million
 - Long-term Liabilities – Noncurrent Portion - \$5.0 million
 - Beginning Net Position Impact – (\$17,500)



Financial Statement Audit Report

- Office of State Auditor financial statement audit link:
<https://www.auditor.nc.gov/documents/reports/financial/fin-2023-6060>



The screenshot shows the website of the North Carolina Office of the State Auditor. The header includes the NCOSA logo with the tagline 'The Taxpayers' Watchdog', the text 'NORTH CAROLINA Office of the State Auditor', and a search bar. A red arrow points to the 'Receive Reports' link in the navigation menu. Below the navigation menu, the breadcrumb trail reads 'HOME >> Receive Reports >> Subscribe (Register to Receive Reports)'. The main heading is 'Register to Receive an Email When a Report Is Published'. The instructions state: 'Please fill in your email address, a chosen password, first name, last name, and business/organization. Your email address and password can then be used to log in and subscribe to reports and publications.' The registration form contains the following fields: 'Email Address:', 'Choose a password (7+ char):', 'First Name:', 'Last Name:', and 'Business/Org. (optional):'. There is a 'Clear this form.' link and a 'Register this new user.' button.



Additional Analysis

FY 2023 Key Performance Indicators

- Each year, Moody's uses a set of quantitative factors to assess the financial health of UNCW (in addition to other universities across the country).
- The quantitative factors look at:
 - Scale of Revenue
 - Operating Margins
 - Financial Reserves
 - Leverage

FY 2023 Key Performance Indicators

- In FY23, UNCW improved across four of the six quantitative metrics tracked by Moody's.

| Moody's Scorecard - Quantitative Metrics (FY23 vs. FY22) | | | |
|--|------------|------------|-----------|
| Factors | FY23 Value | FY22 Value | Direction |
| Scale | | | |
| Operating Revenue (\$MM) | 435.20 | 405.45 | Positive |
| Operating Performance | | | |
| EBIDA Margin (%) | 15.07 | 15.36 | Stable |
| Financial Reserves & Liquidity | | | |
| Total Cash and Investments (\$MM) | 389.94 | 358.70 | Positive |
| Total Cash and Investments to OPEX | 0.98 | 0.98 | Stable |
| Leverage & Coverage | | | |
| Total Cash and Investments to Total Adjusted Debt | 0.69 | 0.61 | Positive |
| Annual Debt Service Coverage Ratio | 3.58 | 3.39 | Positive |

FY 2023 Key Performance Indicators

- **Why do these metrics matter?**
 - Provides objective context for the financial health of the university
 - Directly impacts our cost/ability to borrow money
- **Bottom-line:**
 - FY23 was a good year financially for UNCW
 - From a quantitative perspective, we have a stable, consistent rating as of 6/30/23 (compared to 6/30/22)

Rating Thresholds

| Min | Max | Implied Rating |
|------|------|----------------|
| 0.5 | 1.5 | Aaa |
| 1.5 | 2.5 | Aa1 |
| 2.5 | 3.5 | Aa2 |
| 3.5 | 4.5 | Aa3 |
| 4.5 | 5.5 | A1 |
| 5.5 | 6.5 | A2 |
| 6.5 | 7.5 | A3 |
| 7.5 | 8.5 | Baa1 |
| 8.5 | 9.5 | Baa2 |
| 9.5 | 10.5 | Baa3 |
| 10.5 | 11.5 | Ba1 |
| 11.5 | 12.5 | Ba2 |
| 12.5 | 13.5 | Ba3 |