

2024  
**FINANCIAL REPORT**



UNIVERSITY of NORTH CAROLINA WILMINGTON



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# A Letter of Transmittal

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To: The Chancellor and Board of Trustees of the University of North Carolina Wilmington

The Annual Financial Report of the University of North Carolina Wilmington (University or UNCW) includes financial statements for the year ended June 30, 2024, as well as other useful information that helps ensure accountability to the public. Each statement is explained in further detail in the management discussion and analysis and notes to the financial statements. I believe the information within this financial report is accurate in all material respects, fairly presents the University's financial position, and that our system of internal controls is sound and sufficient to disclose any material deficiencies to the auditors and the audit committee.

Each basic financial statement is prepared in accordance with generally accepted accounting principles in the United States of America through the Governmental Accounting Standards Board (GASB). The 2024 Financial Report includes the University's financial statements and its four blended component units: the Donald R. Watson Foundation, Inc., the UNCW Corporation, the UNCW Corporation II, and the UNCW Research Foundation. Although legally separate, these component units are reported as if they were part of the University based on the nature and significance of each entity's relationship to UNCW.

With nearly 18,000 students, approximately 100,000 alumni and 2,500 faculty and staff, UNCW's momentum is strong. In line with a vibrant Seahawk Nation, UNCW experienced solid operating revenue performance, recording net tuition and fee revenues of \$144.9 million (representing an increase of 12.1% relative to fiscal year 2023) and sales and services revenue of \$70.3 million (representing an increase of 15.6% relative to fiscal year 2023).

The University continued to benefit from strong support from the State of North Carolina. Rising tuition and fees was complemented by a substantial increase of \$16.1 million in state appropriations, which enabled our state appropriation per student FTE to climb to \$12,806. Additionally, a state capital grant provided \$26.8 million of funding this year related to the Randall Library renovation and expansion project.

Net position increased by \$100.4 million, primarily driven by a \$53.2 million increase in capital assets and a \$25.8 million increase in unrestricted fund balance.

In fiscal year 2024, UNCW's endowment investments exceeded 12%, after experiencing marginal losses in the prior year. The portfolio benefited from \$4.3 million in gifts and additions and investment earnings of \$17.4 million. Current and long-term investment earnings funded the annual spending withdrawals of \$7.3 million in support of the university's mission. UNCW's endowment is primarily invested in the UNC Investment Fund, which continues to outperform the long-term returns of the benchmark Global 70/30 Portfolio and ranks in the top 10% of its peer universe (using 3-year, 5-year, and 10-year investment horizons).

This year has been a landmark for the university, as we concluded "Like No Other: The Campaign for UNCW" on June 30, 2024. The campaign raised more than \$136 million, surpassing our original stretch goal and creating 265 new scholarships. This monumental success demonstrates the strength of our Seahawk community, with over 35,000 donors contributing to our mission. Highlights of the campaign included *Seahawks Give*, a 24-hour giving event that saw more than 1,900 donors contributing over \$650,000.

Academically, we continue to innovate. In fall 2024, the College of Science and Engineering introduced a Bachelor of Science in Biochemistry, and the Watson College of Education launched a Bachelor of Science in Workforce Learning and Development. UNCW also brought in more than \$33 million in sponsored research funding. This reflects UNCW's strong commitment to research and provides additional opportunities for our students to participate in applied learning activities to further enrich their academic experience at UNCW.

Our faculty and students achieved notable recognition in FY24. Seventeen faculty members received the 2024 Award for Excellence in Teaching. Additionally, projects from the Department of Communication Studies and the Office of University Relations were recognized at the 45th Telly Awards, highlighting UNCW's excellence in video and television production.

The Center for Innovation and Entrepreneurship celebrated its 10th anniversary, reinforcing our commitment to fostering entrepreneurial spirit in southeast North Carolina. UNCW was also honored to be awarded over \$10 million from the New Hanover County Endowment to collaborate with local partners to strengthen the healthcare workforce pipeline. Furthermore, Novant Health committed \$2.5 million to support nursing scholarships, a significant investment in developing healthcare professionals.

Our focus on student life and athletics also remained strong in FY24. The Shoreline Sports Complex opened in November, offering enhanced spaces for intramural sports, sports clubs, and women's beach volleyball. Our athletics programs continued to excel, with six teams ranked in the top 10% of the NCAA's Academic Progress Rate and numerous conference titles, including both the baseball and softball teams winning their 2024 CAA championships and advancing to the NCAA Athens Regional.

On the national stage, UNCW earned a spot in the Fiske Guide to Colleges 2024 and received recognition from *U.S. News & World Report*, ranking 109th among public institutions. We were also honored on the *Best for Vets* list by *Military Times*, underscoring our commitment to military-affiliated students.

The aforementioned successes demonstrate some of the tangible progress which has been made over the past year towards UNCW's new bold strategic plan "Soar Higher." This plan, along with the recently completed campus master plan will inform operational and capital investment decisions at UNCW over the next decade and will ensure UNCW continues to deliver on our vision to transform lives.

Sincerely,

A handwritten signature in black ink, appearing to read "Miles Lackey". The signature is fluid and cursive, with the first name "Miles" and last name "Lackey" clearly distinguishable.

Miles Lackey  
Vice Chancellor for Business Affairs

# Management's Discussion and Analysis

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## Financial Analysis

The University of North Carolina Wilmington (University or UNCW) provides the following Management's Discussion and Analysis (MD&A) as an overview of the proprietary fund financial activities for the fiscal year ended June 30, 2024. The MD&A identifies significant transactions that have fiscal impact and highlights favorable and unfavorable trends. Comparative data for the previous year is presented to provide a better understanding of the financial information.

## Using the Financial Statements

The University's financial report includes three proprietary fund financial statements that depict the financial activity and fiscal condition of the University for the current year and two fiduciary fund financial statements. These financial statements include: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. The proprietary fund financial statements account for the University's primary activities. The fiduciary fund financial statements account for the University's fiduciary activities which are considered custodial funds. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and using the accrual basis of accounting. This method of accounting requires that revenues and assets be recognized when the service is provided. Expenses and liabilities are recognized when others provide services, regardless of when cash is exchanged.

The Statement of Net Position includes all the University's proprietary fund assets, deferred outflows and inflows, liabilities, and net position. The University's proprietary fund net position (the monetary difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources) is one indicator of the University's financial viability. Over time, changes in the proprietary fund net position provide information on the improvement or erosion of the University's financial condition when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's proprietary fund revenues earned and expenses incurred during the fiscal year. Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 classifies state appropriations and contributions as nonoperating revenues. With state appropriations and contributions being classified as nonoperating revenues, most public institutions will report an operating deficit.

A key factor to consider when evaluating the financial viability of the University is the ability to meet financial obligations as they mature. The Statement of Cash Flows presents proprietary fund information that allows the reader to evaluate the University's ability to meet its financial obligations on a current basis.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position present the University's fiduciary fund assets, liabilities, net position, additions, and deductions related to resources held by the University in a custodial capacity for the four related parties described in Note 18.

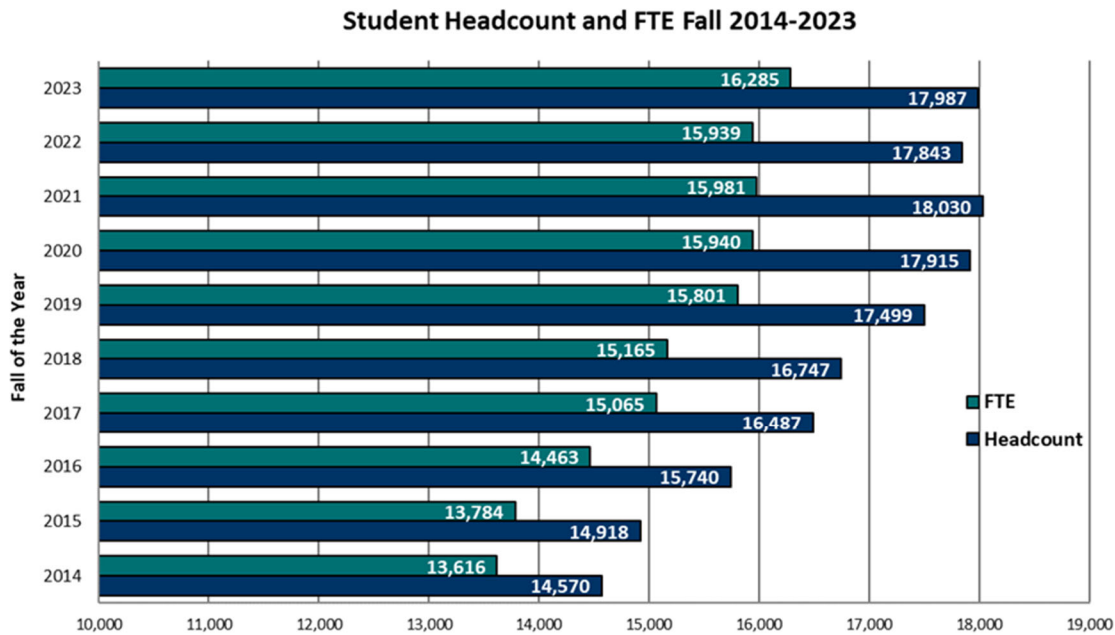
## Financial Highlights

As of July 1, 2024, a change in the accounting principle resulting from GASB Implementation Guide 2021-1 Question 5.1, affected the University's reporting treatment of assets below its capitalization thresholds. Accounting policy changes due to this change in principle can be seen in Note 1, summary of significant accounting policies. This change in accounting policy required a beginning balance restatement for the fiscal year 2024. Ending balances for fiscal year 2023 presented inside of the Management's Discussion and Analysis section do not show the accounting impact of these restated balances. Within the Notes to the Financial Statements see Note 6, which provides the detailed breakout of Capital Assets and Note 21, which provides information on the restatement.

State appropriations increased \$16.1 million when compared to fiscal year 2023 largely due to the increase in appropriation base budget of \$8.0 million for research programs in critical workforce areas and \$0.5 million for a comprehensive transition program for students with intellectual disabilities, the increase of \$8.2 million in recurring budget adjustments including \$6.7 million for legislative increases, \$2.0 million for nursing faculty salary adjustment increases, and \$1.5 million for other recurring budget adjustments, offset by the decrease of \$2.0 million in enrollment change adjustment. Although the University experienced a recurring budget decrease in enrollment change funding in fiscal 2024, it was offset by a non-recurring budget adjustment of \$2.3 million in performance change funding. The University was assessed a \$4.1 million non-recurring negative budget adjustment for surpassing the non-resident cap of 18.0% which was offset by \$1.0 million in non-recurring athletic appropriations and \$0.2 million net increase in various other nonrecurring budget adjustments.

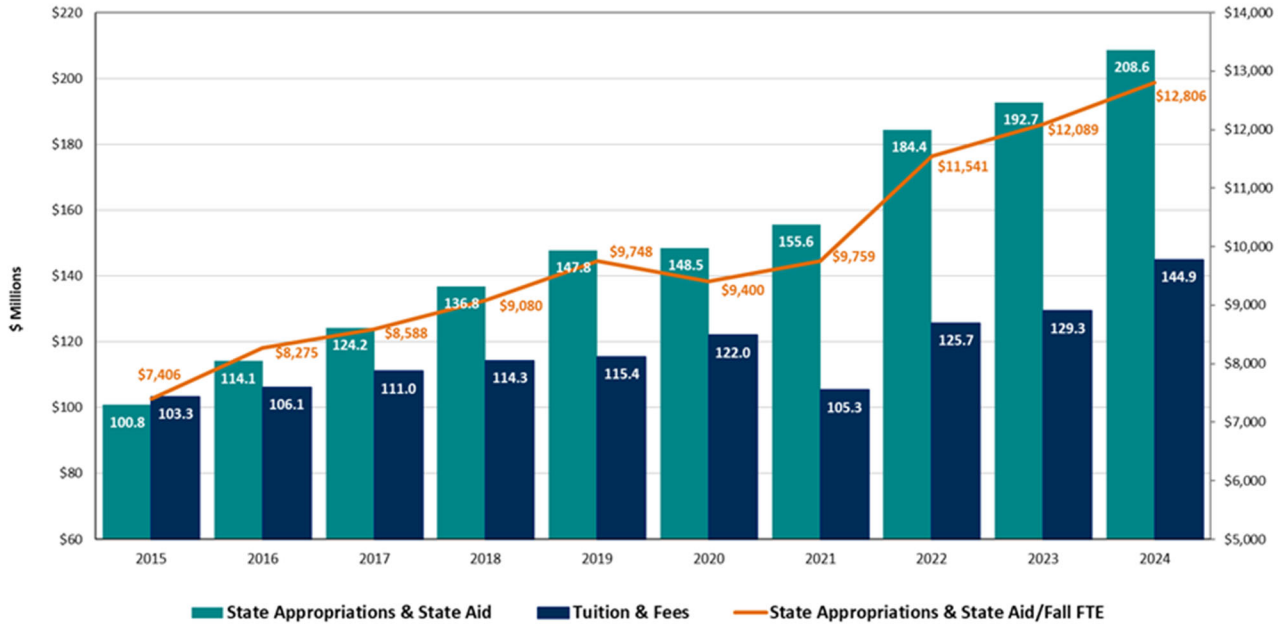
In fiscal year 2024, UNCW completed multiple construction projects, totaling \$14.1 million. The completed projects consisted of \$9.8 million for the Student Village Recreation Fields, \$1.2 million for the Cadaver Laboratory, and \$3.1 million for other smaller projects. The ending fiscal year 2024 construction in progress balance of \$67.2 million included \$55.6 million for the Randall Library Renovation and Expansion project, which was in the final stages of construction at year-end, \$6.1 million for the Alderman and King Hall Renovation projects, \$3.5 million for the Westside Energy Plant project, and \$2.0 million in various smaller projects.

The University operates with a fixed tuition program for undergraduate resident students. The program is in its seventh year and is forecasted to continue for ten years offering no increase in tuition to undergraduate resident students who are continuously enrolled for four years. For fiscal year 2024, the University increased the annual resident graduate tuition \$260, non-resident undergraduate tuition \$1,048, non-resident graduate tuition \$1,051, and increased mandatory fees \$79.43.



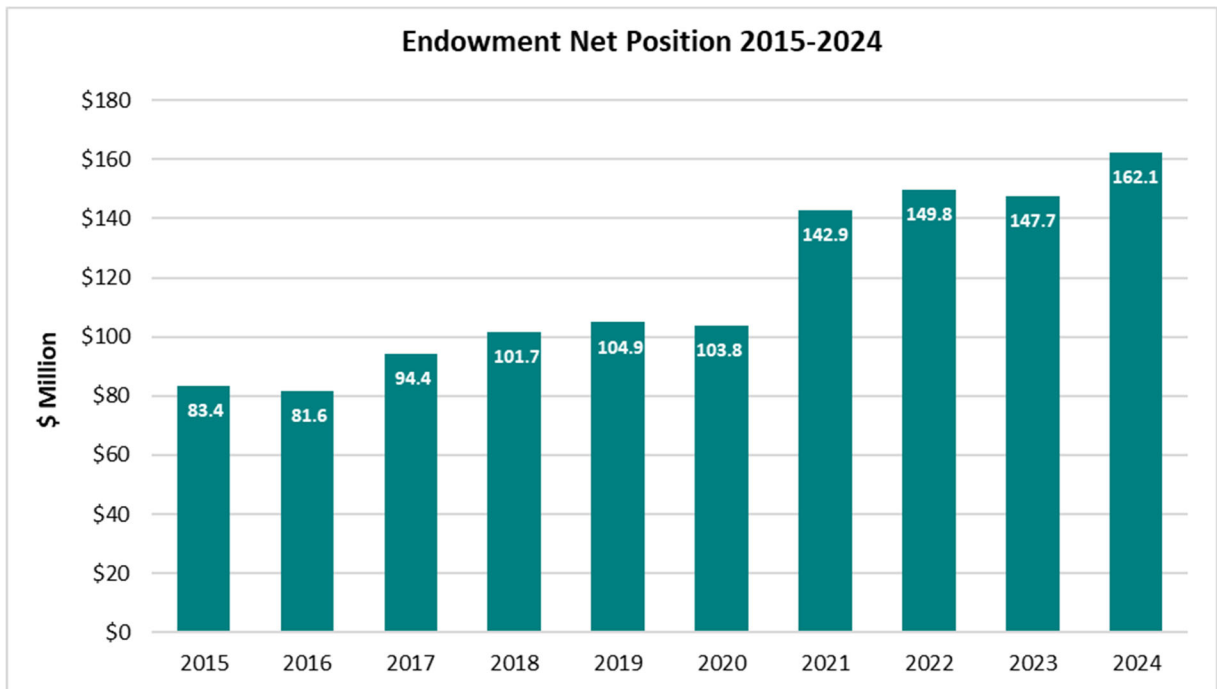
UNCW's fall 2023 headcount of 17,987 increased by 0.8% relative to the fall of 2022, which was driven primarily by an increase in undergraduate enrollment of 200 students offset by a slight decrease in graduate enrollment of 56 students.

**State Appropriations & State Aid, Tuition & Fees, and  
State Appropriations & State Aid per Fall FTE 2015-2024**



A \$16.1 million net increase in state appropriations led to state appropriations and state aid per fall student full-time equivalent (FTE) to increase to \$12,806 in fiscal year 2024. Student tuition and fees revenues increased 12.1% as the result of a modest increase in enrollment and changes in tuition and fees.

**Endowment Net Position 2015-2024**

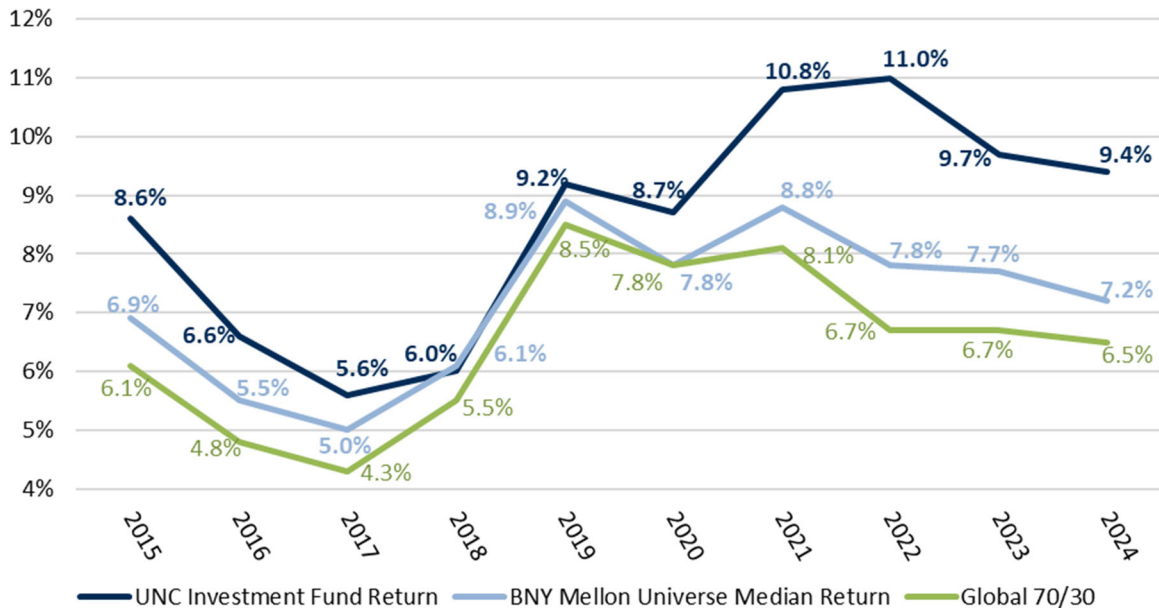


The net position of the endowments increased from \$147.7 million to \$162.1 million over the twelve months ending June 30, 2024. New contributions/additions of \$4.3 million were made to the endowment, and the UNC Investment Fund (UNCIF) earned \$17.4 million in investment earnings during fiscal year 2024. Accumulated and reinvested long-term investment reserves funded the annual withdrawals for spending distributions and administrative fees in the amount of \$7.3 million. In fiscal year 2024, the UNCIF returned 12.6%, an increase of 13.0% as compared to a negative 0.4% return from last year.

For fiscal year 2024, UNCIF’s 12.6% return ranks in the top quartile relative to peers. However, UNCIF’s return for the year underperforms the Global 70/30 Portfolio which returned 14.2% on the heels of global equities’ strong 19.4% return. Each of UNCIF’s 3-, 5-, and 10-year annualized returns of 5.4%, 11.2%, and 9.4%, respectively, exceeds the Global 70/30 Portfolio and ranks in the top decile relative to peers.

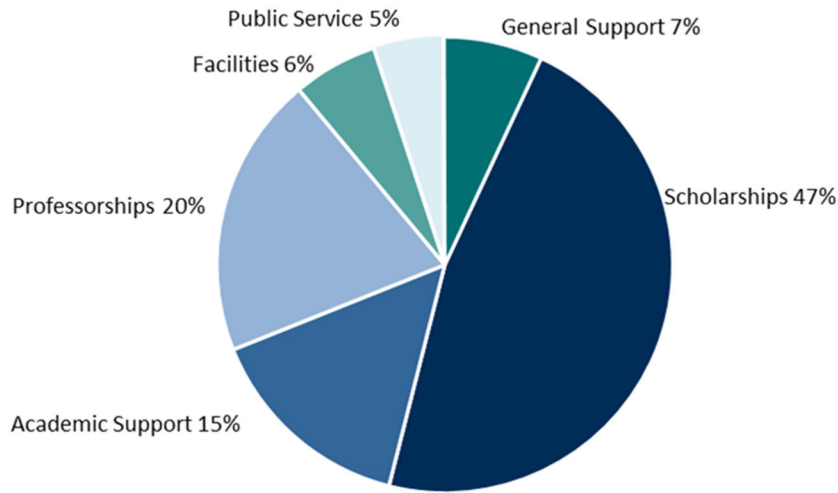
With a primary focus on long-term time horizons to support spending in perpetuity, it is noteworthy that the UNCIF’s ten-year annualized returns for the past ten years have exceeded that of the Global 70/30 Portfolio and the median returns of the Bank of New York Mellon Endowment and Foundation Funds universe.

**UNC Investment Fund and Benchmark Funds  
10 Year Annualized Returns Comparison**





### 2024 Donor Funded Endowment Income Distribution



Consistent with prior years, the Endowment primarily supported student scholarships (47%), professorships (20%), and academics (15%).

#### Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), deferred inflows, and net position (total assets plus deferred outflows minus total liabilities and deferred inflows) of the University's proprietary funds. This statement provides a fiscal snapshot of the University's financial position as of June 30, 2024. This statement includes information on assets available for continuing operations and amounts due to vendors, investors, and lending institutions.

**Condensed Statement of Net Position  
Proprietary Fund  
June 30, as Indicated**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	\$ 217,185,784	\$ 238,297,556	\$ (21,111,772)
Capital Assets, Net	859,137,491	810,310,514	48,826,977
Other Noncurrent Assets	240,878,639	177,685,652	63,192,987
<b>Total Assets</b>	<u>1,317,201,914</u>	<u>1,226,293,722</u>	<u>90,908,192</u>
<b>Total Deferred Outflows of Resources</b>	<u>114,754,063</u>	<u>103,235,476</u>	<u>11,518,587</u>
<b>Liabilities</b>			
Current Liabilities	41,571,878	35,098,084	6,473,794
Long-Term Liabilities, Net	517,713,349	489,711,438	28,001,911
Other Noncurrent Liabilities	4,295,865	2,809,080	1,486,785
<b>Total Liabilities</b>	<u>563,581,092</u>	<u>527,618,602</u>	<u>35,962,490</u>
<b>Total Deferred Inflows of Resources</b>	<u>186,564,102</u>	<u>220,463,189</u>	<u>(33,899,087)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	524,701,314	471,500,386	53,200,928
Restricted - Nonexpendable	88,133,951	84,360,730	3,773,221
Restricted - Expendable	138,501,434	120,875,146	17,626,288
Unrestricted	(69,525,916)	(95,288,855)	25,762,939
<b>Total Net Position</b>	<u>\$ 681,810,783</u>	<u>\$ 581,447,407</u>	<u>\$ 100,363,376</u>

On June 30, 2024, total University assets were \$1.3 billion. The largest asset categories were the University's cash and cash equivalents of \$225.6 million, investments of \$206.8 million, and capital assets, net of \$859.1 million.

**Assets**

Current assets decreased \$21.1 million due to decreases of \$20.1 million and \$2.0 million in pooled cash with the State Treasurer and due from primary government, respectively, offset by the increase of \$1.0 million in receivables. The decrease in pooled cash was primarily due to the implementation of the new investment strategy of \$50.1 million in unrestricted institutional trust funds and the additional cash used of \$1.7 million, offset primarily by the increase of \$15.6 million in tuition and fees and \$9.5 million in sales and services revenues as discussed in the Operating Revenues section below. The additional cash used of \$1.7 million was the net result of the increase in cash received from tuition and fees and other operating revenues and the increase in salaries and benefits, supplies and services and other operating expenses as discussed further below in the Operating Expenses section. The decrease in due from primary government was largely due to the portion of Hurricane Florence insurance claim received in fiscal year 2024. The increase in receivables was primarily due to the increase in grants and contracts revenues.

Capital assets, net increased \$48.8 million during fiscal year 2024. This was primarily due to the increase of \$1.1 million in land, the net increase of \$36.6 million in construction in progress, the net decrease of \$6.1 million in buildings, the net increase of \$13.6 million in machinery and equipment, the net increase of \$6.1 million in general infrastructure, and the net decrease of \$2.2 million in right-to-use subscription assets. See the Capital Assets section further below for additional information.

The \$63.2 million increase in other noncurrent assets was due primarily to the increase of \$17.3 million in endowment investments and an increase of \$50.1 million in other investments, offset by the \$3.3 million decrease in restricted cash. The increase in endowment investments was primarily due to a substantial increase in unrealized gains on investments due to the increase in the financial market at the end of the fiscal year, see additional information in the Financial Highlights section above. The increase in other investment is attributable to the investment policy established in fiscal year 2024 to allow the investment of institutional trust funds with minimal to no additional risk being incurred. The decrease in restricted cash was due primarily to the decrease in endowment gifts and increase in spending distribution and administration fees.

### **Deferred Outflows of Resources**

For fiscal year 2024, total deferred outflows of resources increased \$11.5 million. Deferred outflows fluctuate yearly due to changes in pension and other postemployment benefits (OPEB) liability/asset assumptions and actuarial inputs, such as differences between projected and actual investment earnings and changes in the University's proportion of the liabilities/assets. Deferred outflows to pensions increased \$5.1 million and deferred outflows to OPEB increased \$6.8 million due mainly to various changes in actuarial assumptions and changes in the University's proportionate share of the liability and contributions during the year. The increase in total deferred outflows is also offset by the decrease of \$0.4 million in deferred loss on refunding related to long-term debt. See Notes 14 and 15 for additional information regarding pension and OPEB.

### **Liabilities**

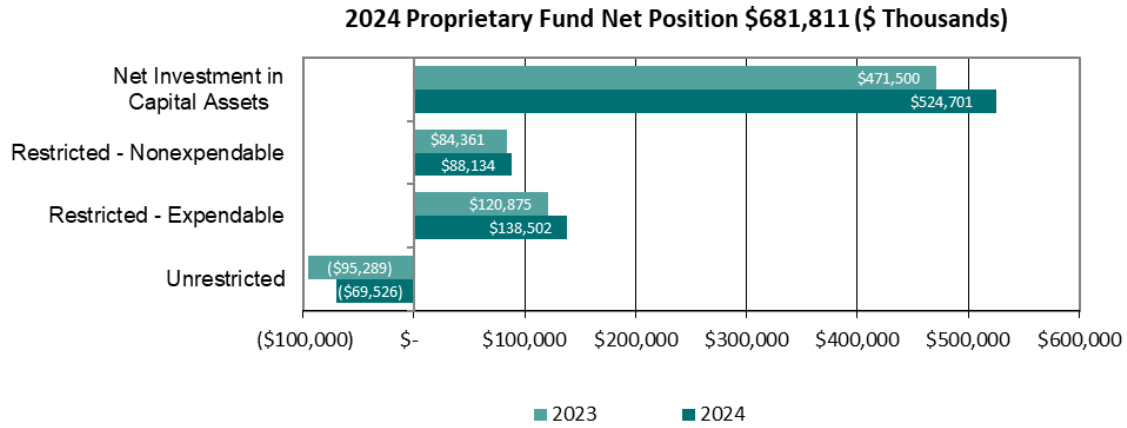
Current liabilities increased by \$6.5 million due to the increase of \$5.1 million in accounts payable and accrued liabilities and the increase of \$1.4 million in other current liabilities. The increase in accounts payable and accrued liabilities is primarily related to multiple construction in progress projects at the end of the fiscal year. The increase in other current liabilities was due to the increase of \$0.7 million in unearned revenue related to a new food services contract with Aramark and another \$0.7 million due to increases in the principal portion of current long-term debt.

Long-term liabilities increased by \$28.0 million due to the increase of \$31.2 million in net OPEB liability and the increase of \$10.4 million in net pension liability. This was offset by a decrease of \$11.1 million in bonds and similar debt payables, the decrease of \$2.2 million in subscription liabilities, and the decrease of \$0.3 million in other long-term liabilities related to the current fiscal year payments of debt and other liabilities. See Note 9 for additional information regarding the long-term liabilities. See sections on deferred outflows/inflows of resources related to pensions and OPEB for more details on these fluctuations, as well as Notes 14 and 15 of the Notes to the Financial Statements.

### **Deferred Inflows of Resources**

Total deferred inflows of resources decreased \$33.9 million during fiscal year 2024. Deferred inflows also fluctuate yearly due to changes in pension and OPEB liability/asset assumptions and actuarial inputs, such as differences between projected and actual investment earnings and changes in the University's proportion of the liabilities/assets. Deferred inflows for OPEB decreased \$30.2 million due to changes of assumptions. The decrease in total deferred inflows of resources is also attributable to amortization causing the decreases of \$2.7 million and \$1.0 million in deferred inflows under public-private partnerships and other deferred inflows of resources, respectively. See Notes 14 and 15 for additional information regarding pension and OPEB.

**Net Position**



During fiscal year 2024, the University restated the beginning balance of net investment in capital assets due to the implementation of GASB Instruction Guide 2021-1 Question 5.1 regarding grouped asset capitalization. See Note 21 for additional information regarding net position restatement. The \$53.2 million increase in net investment in capital assets was due primarily to the \$48.8 million net increase in capital assets, the decrease of \$2.7 million in deferred inflows under public-private partnerships, and the decrease of \$13.5 million in long-term debts related to capital assets. This was offset by a decrease of \$6.3 million in bond proceeds, an increase of \$4.1 million in accounts payable related to capital assets and retainage, and an additional decrease of \$1.4 million. See the Capital Assets and Debt Administration section below as well as Notes 6 and 9 for additional information regarding capital assets and long-term debts.

Net position, restricted-nonexpendable increased \$3.8 million as a result of the new contributions/additions, net investment returns, and withdrawals for spending distributions and administrative fees discussed in the endowment portion of the Financial Highlights section above.

Net position, restricted-expendable increased \$17.6 million in fiscal year 2024 due to the increase of \$8.7 million in expendable endowments and the increase of \$8.9 million in capital projects. See additional information regarding the increase in expendable endowments in the endowment portion of the Financial Highlight section above. Capital projects increase was due to the increase in funding for multiple ongoing capital projects.

Unrestricted net position improved \$25.8 million due to the increase of \$12.1 million and \$10.3 million in unspent sales and services and tuition and fees revenues, respectively, as discussed in the Assets section above and the net increase of \$3.4 million in other unrestricted funds. See previous sections above for more details.

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

The Statement of Revenues, Expenses, and Changes in Net Position includes the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, both operating and nonoperating, as well as any other revenues, expenses, gains, and losses received or expended by the University’s proprietary funds.

Operating revenues are received for providing goods and services to the University's various customers and constituencies. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to conduct the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided; examples include state appropriations, noncapital contributions, and investment income. Nonoperating expenses include interest and fees on debt, loss on sale of assets, and other expenses not involved in the normal operations of the University.

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund**  
**For Year Ended June 30, as Indicated**

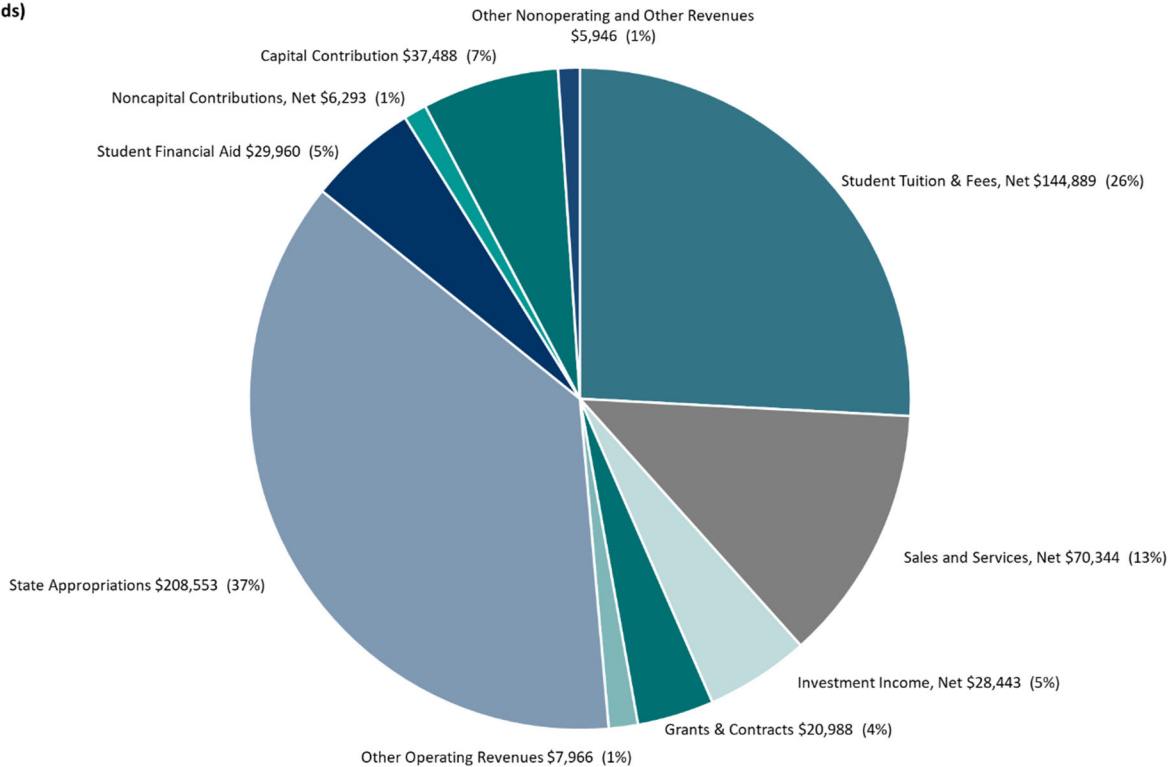
	<u>2024</u>	<u>2023</u>	<u>Change</u>
<b>Operating Revenues</b>			
Student Tuition and Fees, Net	\$ 144,888,508	\$ 129,274,663	\$ 15,613,845
Sales and Services, Net	70,343,530	60,868,751	9,474,779
Grants and Contracts	20,987,670	18,626,057	2,361,613
Other Operating Revenues	7,965,961	7,208,688	757,273
<b>Total Operating Revenues</b>	<u>244,185,669</u>	<u>215,978,159</u>	<u>28,207,510</u>
<b>Operating Expenses</b>			
Salaries and Benefits	277,309,598	228,176,017	49,133,581
Supplies and Services	116,645,583	101,941,969	14,703,614
Scholarships and Fellowships	28,477,013	23,610,631	4,866,382
Utilities	9,544,402	9,623,560	(79,158)
Depreciation/Amortization	28,060,337	19,209,056	8,851,281
<b>Total Operating Expenses</b>	<u>460,036,933</u>	<u>382,561,233</u>	<u>77,475,700</u>
<b>Operating Loss</b>	<u>(215,851,264)</u>	<u>(166,583,074)</u>	<u>(49,268,190)</u>
<b>Nonoperating Revenues (Expenses)</b>			
State Appropriations	208,553,275	192,468,360	16,084,915
Student Financial Aid and Noncapital Contributions, Net	36,252,942	33,996,145	2,256,797
Federal Aid - COVID-19	632,739	1,023,199	(390,460)
Investment Income, Net	28,443,108	4,857,271	23,585,837
Interest and Fees on Debt	(7,206,036)	(7,372,230)	166,194
Hurricane Florence Disaster Costs	(1,148,500)	(39,190)	(1,109,310)
Hurricane Florence Insurance Recoveries	3,063,980	5,252,326	(2,188,346)
Other Nonoperating Expenses	(738,104)	(118,708)	(619,396)
<b>Other Revenues</b>			
Capital Contributions	37,488,120	10,724,276	26,763,844
Additions to Endowments	2,249,929	4,385,048	(2,135,119)
<b>Total Net Nonoperating and Other Revenues</b>	<u>307,591,453</u>	<u>245,176,497</u>	<u>62,414,956</u>
<b>Increase in Net Position</b>	91,740,189	78,593,423	13,146,766
<b>Net Position - Beginning of Year</b>	<u>590,090,594</u>	<u>502,853,984</u>	<u>87,236,610</u>
<b>Net Position and Net Position Prior to Restatement</b>	<u>681,830,783</u>	<u>581,447,407</u>	<u>100,383,376</u>
Restatement to record the University's Capital Assets, Pursuant to GASBIG 2021-1 Requirements	-	8,623,187	(8,623,187)
<b>Net Position and Net Position as Restated</b>	<u>\$ 681,830,783</u>	<u>\$ 590,070,594</u>	<u>\$ 91,760,189</u>
<b>Reconciliation of Change in Net Position</b>			
Total Revenues	\$ 560,869,762	\$ 468,684,784	\$ 92,184,978
Less: Total Expenses	469,129,573	390,091,361	79,038,212
<b>Increase in Net Position</b>	<u>\$ 91,740,189</u>	<u>\$ 78,593,423</u>	<u>\$ 13,146,766</u>

Overall, net position increased \$91.7 million during the year ended June 30, 2024, which was an increase of \$13.1 million when compared with fiscal year 2023 overall increase of \$78.6 million. This was due to the increase of \$37.8 million in nonoperating revenues net of expenses and the increase of \$24.6 million in total other revenues, offset by the operating loss increase of \$49.3 million.

**Operating Revenues**

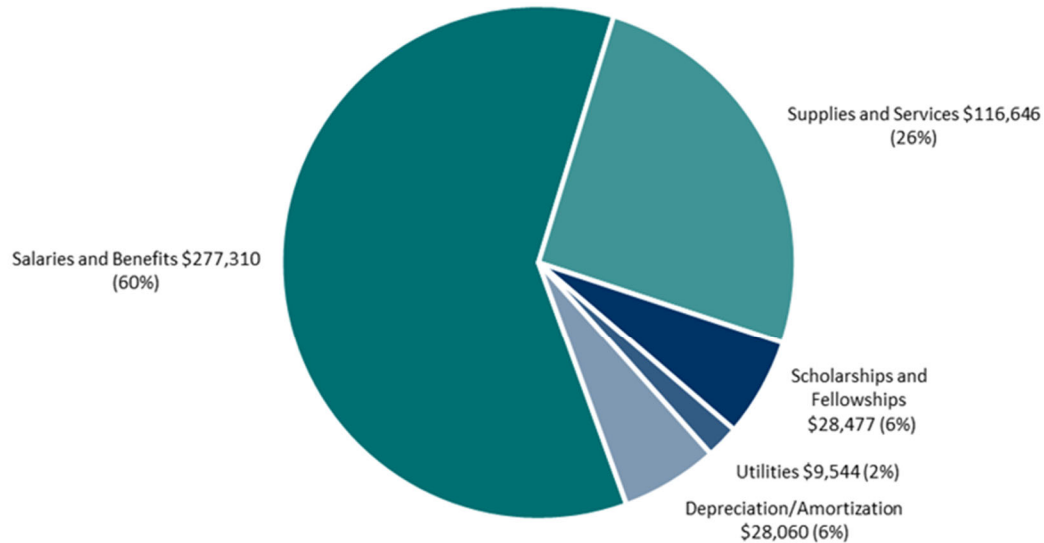
The University recorded its largest student tuition and fees revenue of \$144.9 million in the last five years, demonstrating the University’s success in a post-COVID environment. Tuition and fees increased \$15.6 million including the increase of \$9.0 million in nonresident tuition, the increase of \$2.0 million in other tuition, the increase of \$3.6 million in mandatory fees, and the increase of \$1.0 in other fees. This was due to the increase in tuition and fee rates and enrollment. The \$9.5 million increase in sales and services was due primarily to the continued shift back to campus for students. Specifically, dining, housing, and other sales and services revenues increased \$4.9 million, \$3.6 million, and \$1.0 million, respectively. As we continue to grow our research base as an “R2: Doctoral University”, the University experienced grants and contracts increase of \$2.4 million due to the increases of \$2.0 million in federal grants and contracts and the increase of \$0.4 million in other grants and contracts.

**2024 Revenue by Source \$560,870 (\$ Thousands)**



## Operating Expenses

**2024 Operating Expense by Nature \$460,037  
(\$ Thousands)**



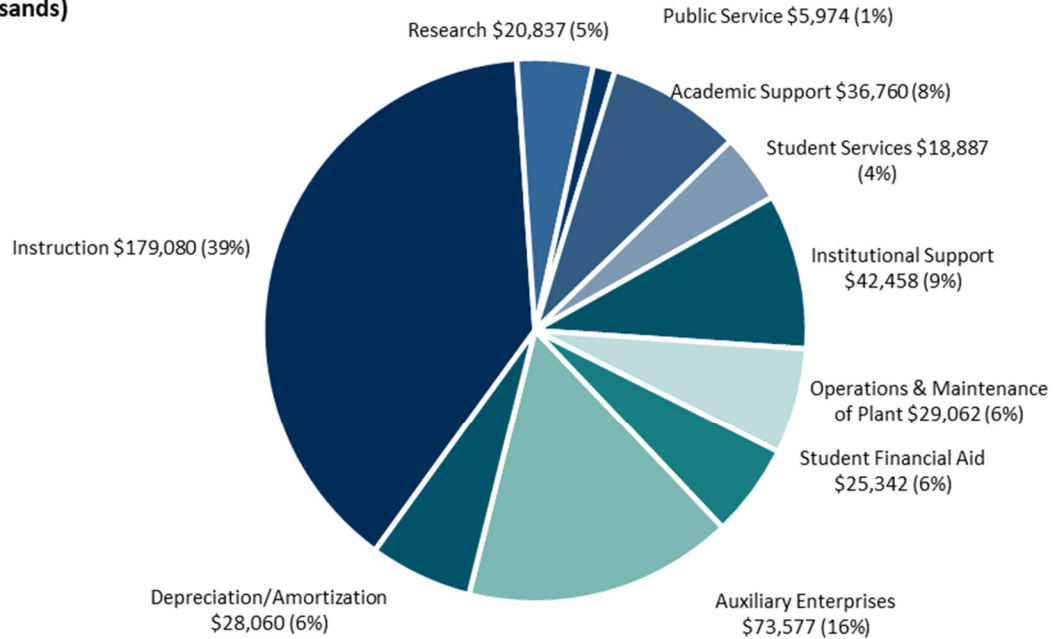
Salaries and benefits increased \$49.1 million due in large part to the impact of GASB 68 and GASB 75 related to pension and OPEB expenses totaling \$31.0 million in fiscal year 2024. The remaining \$18.1 million increase was due to a 4.0% legislative related increase of \$6.7 million, the nursing faculty adjustment of \$2.0 million, and the other recurring budget increase of \$1.5 million in salaries and benefits. In addition, \$7.9 million was attributable to a net increase of 55 FTE's and other payroll fluctuations.

Supplies and services increased \$14.7 million mainly due to an increase in repairs and maintenance expenses related to buildings and other infrastructure of \$8.8 million. In addition, food services increased \$3.7 million, which was in line with the increase in food service sales discussed above. Other services increased \$2.2 million due to increases in insurance, advertising, and other services of \$0.8 million, \$0.6 million, and \$0.8 million, respectively.

Scholarships and fellowships increased \$4.9 million in fiscal year 2024 mainly due to an increase in enrollment which resulted in an additional \$1.4 million in federal Pell grants, \$1.0 million in Academic Enhanced scholarships, and \$2.5 million in various other smaller scholarships.

Depreciation expense increased \$8.9 million due to the increases in depreciation related to grouped asset capitalization pursuant to GASB Implementation Guide 2021-1 question 5.1 of \$4.9 million, GASB96 asset additions of \$3.0 million, and a full year of depreciation on fiscal year 2023 additions of \$1.0 million.

**2024 Operating Expense by Function \$460,037  
(\$ Thousands)**



Instruction expense of \$179.1 million remains the largest expense by function at 39% of operating expenses.

**Nonoperating Revenues and Expenses**

In fiscal year 2024, the total nonoperating revenues net of nonoperating expenses increased by \$37.8 million due to the increase of \$16.1 million in state appropriations and the increase of \$23.6 million in investment income net of investment expenses, offset by a decrease in the State’s contribution to the health plan of \$1.2 million and \$0.7 million due to a decrease in noncapital contributions received during the current year. See additional information regarding state appropriations in the Financial Highlight section above. Endowment investments experienced a \$17.4 million increase in investment income due to the 12.6% return in fiscal year 2024, as discussed previously. The income from the State Treasurer’s Short-Term Investment Fund (STIF) increased \$6.2 million during fiscal year 2024 due to consistently higher rates of return than the previous fiscal year.

**Other Revenues**

Capital contributions increased \$26.8 million in fiscal year 2024 due to funding for the Randall Library Renovation and Expansion project, which was completed in August of the fall 2024 semester.



## Capital Assets and Debt Administration

### Capital Assets

The University had \$859.1 million invested in capital assets at June 30, 2024, as reported in the table below, an increase of \$48.8 million from 2023.

#### Capital Assets Net of Depreciation June 30, as Indicated

	2024	2023	Change
Land and Permanent Easements	\$ 15,951,353	\$ 14,848,968	\$ 1,102,385
Art, Literature, and Artifacts	2,036,789	2,153,391	(116,602)
Construction In Progress	67,223,387	30,650,669	36,572,718
Buildings, Net	670,134,180	676,191,820	(6,057,640)
Machinery and Equipment, Net	35,765,922	22,214,043	13,551,879
General Infrastructure, Net	56,624,108	50,484,171	6,139,937
RTU Leased Buildings, Net	898,412	841,055	57,357
RTU Leased Machinery and Equipment, Net	368,003	576,398	(208,395)
RTU Subscription Assets, Net	10,135,337	12,349,999	(2,214,662)
<b>Total Capital Assets</b>	<b>\$ 859,137,491</b>	<b>\$ 810,310,514</b>	<b>\$ 48,826,977</b>

During fiscal year 2024, construction in progress increased \$36.6 million due primarily to capitalizable costs of \$33.1 million, \$5.7 million, and \$1.3 million related to the Randall Library Renovation and Expansion project, Alderman King Hall renovation, and other construction projects, respectively, and were offset by totaling \$3.5 million for the completion of the Walton Drive Student Village Recreation Field project.

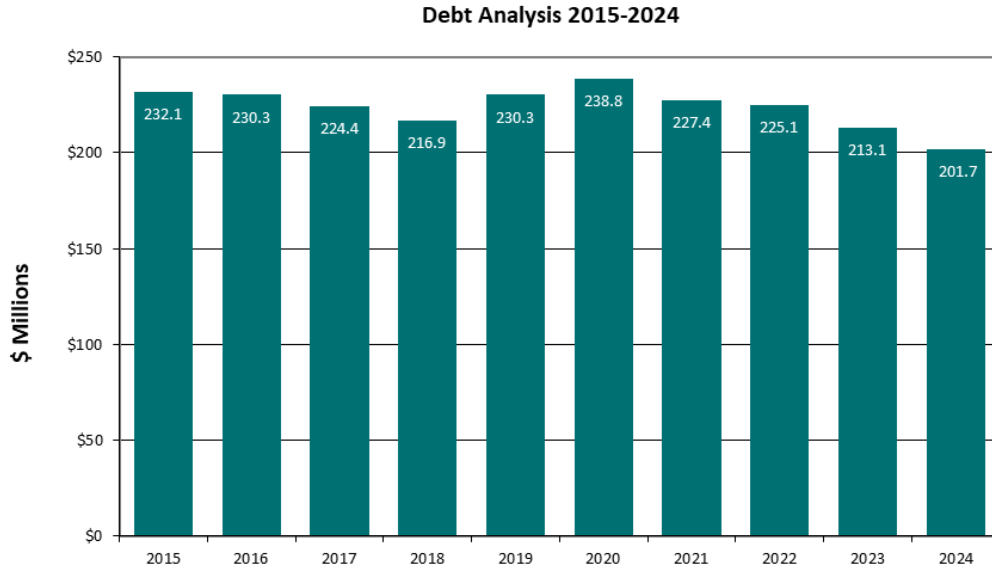
Buildings, net decreased \$6.1 million due to the decrease of \$4.0 million associated with the disposal of Galloway Hall as the building was deemed beyond its serviceable life and associated building depreciation of \$8.7 million, offset by completed construction projects including Veteran Hall \$1.9 million, Walton Drive Pavillion Building \$2.3 million, and other building projects \$2.4 million.

General infrastructure, net increased \$6.1 million due to the capitalization of infrastructure related to the Walton Drive Student Recreation Fields \$7.7 million and other general infrastructure projects totaling \$0.3 million, offset by associated general infrastructure depreciation of \$1.9 million.

Machinery and equipment, net increased \$13.6 million due to the capitalization of education equipment of \$4.1 million, grouped education equipment of \$4.2 million, grouped electronic data processing of \$12.4 million, and other equipment of \$2.8 million, offset by equipment disposal of \$2.0 million and associated machinery and equipment depreciation of \$7.9 million.

## Debt

As of June 30, 2024, the University's \$201.7 million in long-term debt included outstanding revenue bonds payable, limited obligation bonds, and bonds from direct placements of \$194.4 million, and notes from direct borrowings of \$7.3 million.

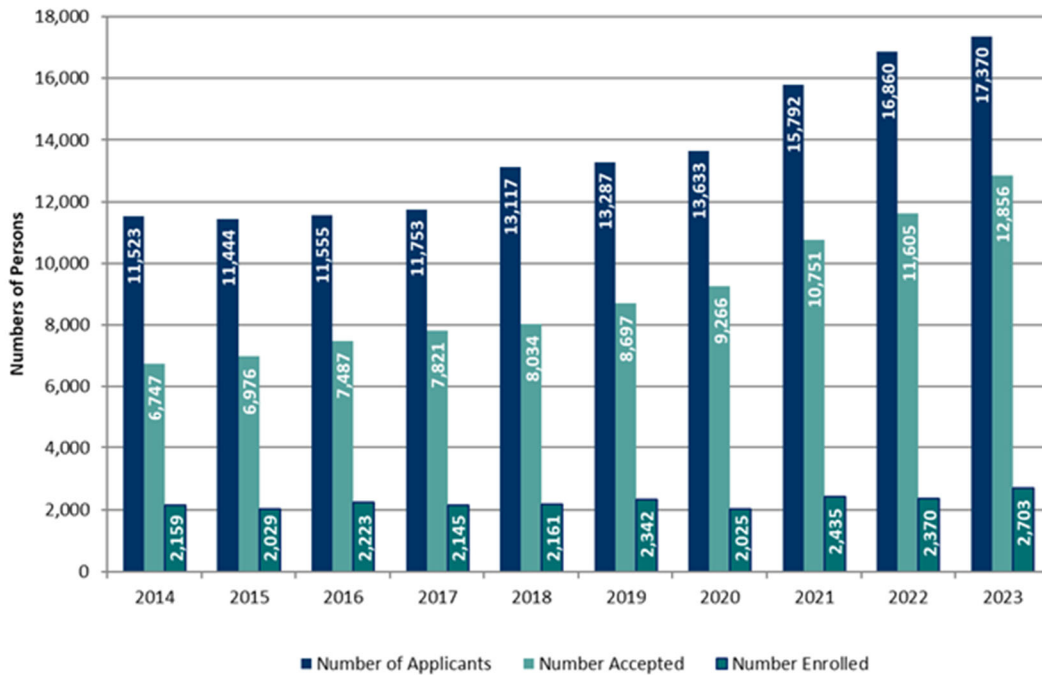


For additional information on capital assets and debt administration, see Notes 6, 9, and 10 of the financial statements.

## Economic Forecast

The University of North Carolina Wilmington, the State's coastal university, integrates teaching and mentoring with research and service. UNCW's commitment to student engagement, creative inquiry, critical thinking, thoughtful expression, and civic responsibility defines the student experience. Graduates of our undergraduate, master's and doctoral programs are prepared to serve the needs of local, state, and global communities. In the fall of 2023, the number of freshman applications climbed to 17,370 and freshman enrollment increased to 2,703 from 2,370. Overall enrollment increased to 17,987. Preliminary data shows fall 2024 freshman applications of 20,392, an increase of 17.4% and freshman enrollment of 2,756 an increase of 2%. Preliminary data for fall 2024 also shows total enrollment increasing to 18,847.

Freshman Fall Enrollment 2014-2023



For fiscal year 2025, UNCW requested a recurring budget adjustment of \$1.1 million for an enrollment growth allocation and a nonrecurring budget adjustment of \$2.9 million for performance funding to further support growth and operations of the University.

UNCW participates in the fixed tuition program established by North Carolina General Statute 116-143.9, which stipulates that tuition remain fixed for four years for continuously enrolled undergraduate resident students. Effective fall 2024, UNCW increased tuition \$299 for resident graduate students, \$1,209 for non-resident graduate students, and \$1,207 for non-resident undergraduate students representing a 6% increase. The additional revenue will support academic advising, counseling center, creating new academic programs, and strategic plan initiatives. UNCW also increased the education and technology fee \$28.06 and the student activity fee \$9.55. This revenue will support inflationary costs and mandatory salary increases.

UNCW is making notable progress toward accomplishing the objectives of the Strategic Plan: Soar High, Soar Far, Soar Together, a 10-year blueprint to guide the University's future. This comprehensive plan conveys the goals and aspirations of UNCW students, faculty, staff, alumni, donors, and community partners. Updates <http://uncw.edu/about/leadership/strategic-plan/updates>.

### Contacting the University's Financial Management

This financial report is designed to provide our students, citizens, investors, and creditors with a general overview of the University's finances and demonstrate accountability of all funds. Contact the Controller's Office at (910) 962-3144 for additional financial information or to access the Controller's Office web page at [http://www.uncw.edu/controller/financial\\_reports.html](http://www.uncw.edu/controller/financial_reports.html).

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# Statement of Net Position

## Proprietary Fund

June 30, 2024

### ASSETS

#### Current Assets:

Cash and Cash Equivalents	\$ 155,211,135
Restricted Cash and Cash Equivalents	38,986,855
Receivables, Net (Note 5)	13,515,528
Due from Primary Government	8,074,679
Inventories	615,984
Notes Receivable, Net (Note 5)	423,373
Leases Receivable (Note 10)	358,230

Total Current Assets 217,185,784

#### Noncurrent Assets:

Restricted Cash and Cash Equivalents	31,390,076
Receivables, Net (Note 5)	1,733,429
Endowment Investments	156,722,568
Other Investments	50,066,490
Notes Receivable, Net (Note 5)	751,171
Leases Receivable (Note 10)	214,905
Capital Assets - Nondepreciable (Note 6)	85,211,529
Capital Assets - Depreciable, Net (Note 6)	773,925,962

Total Noncurrent Assets 1,100,016,130

Total Assets 1,317,201,914

### DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	4,980,537
Deferred Outflows Related to Pensions	47,672,633
Deferred Outflows Related to Other Postemployment Benefits (Note 15)	62,100,893

Total Deferred Outflows of Resources 114,754,063

### LIABILITIES

#### Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 8)	9,405,518
Deposits Payable	43,842
Funds Held for Others	95,845
Unearned Revenue	14,919,360
Interest Payable	1,162,617
Long-Term Liabilities - Current Portion (Note 9)	15,944,696

Total Current Liabilities 41,571,878

#### Noncurrent Liabilities:

Funds Held for Others	910,765
Unearned Revenue	3,064,996
U.S. Government Grants Refundable	320,104
Long-Term Liabilities, Net (Note 9)	517,713,349

Total Noncurrent Liabilities 522,009,214

Total Liabilities 563,581,092

# Statement of Net Position

## Proprietary Fund

June 30, 2024

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### DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Under Public-Private Partnerships (Note 7)	120,974,483
Deferred Gain on Refunding	657,889
Deferred Inflows Related to Pensions	560,977
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	63,720,690
Deferred Inflows for Leases	<u>650,063</u>
Total Deferred Inflows of Resources	<u>186,564,102</u>

### NET POSITION

Net Investment in Capital Assets	524,701,314
Restricted:	
Nonexpendable	
True Endowments	87,580,641
Student Loans and Other	<u>553,310</u>
Total Restricted-Nonexpendable Net Position	<u>88,133,951</u>
Expendable	
Scholarships, Research, Instruction, and Other	81,349,908
Student Loans	1,047,739
Capital Projects	<u>56,103,787</u>
Total Restricted-Expendable Net Position	<u>138,501,434</u>
Unrestricted	<u>(69,525,916)</u>
Total Net Position	<u>\$ 681,810,783</u>

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

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

## Proprietary Fund

For the Fiscal Year Ended June 30, 2024

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<b>OPERATING REVENUES</b>	
Student Tuition and Fees, Net (Note 12)	\$ 144,888,508
Federal Grants and Contracts	12,291,468
State and Local Grants and Contracts	4,974,788
Nongovernmental Grants and Contracts	3,721,414
Sales and Services, Net (Note 12)	70,343,530
Interest Earnings on Loans	18,408
Lease Income	421,092
Other Operating Revenues	<u>7,526,461</u>
Total Operating Revenues	<u>244,185,669</u>
<b>OPERATING EXPENSES</b>	
Salaries and Benefits	277,309,598
Supplies and Services	116,645,583
Scholarships and Fellowships	28,477,013
Utilities	9,544,402
Depreciation/Amortization	<u>28,060,337</u>
Total Operating Expenses	<u>460,036,933</u>
Operating Loss	<u>(215,851,264)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Appropriations	208,553,275
Student Financial Aid	29,959,839
Federal Aid - COVID-19	632,739
Noncapital Contributions, Net (Note 12)	6,293,103
Investment Income (Net of Investment Expense of \$379,769)	28,443,108
Interest and Fees on Debt	(7,206,036)
Hurricane Florence Disaster Costs	(1,148,500)
Hurricane Florence Insurance Recoveries	3,063,980
Other Nonoperating Expenses	<u>(738,104)</u>
Net Nonoperating Revenues	<u>267,853,404</u>
Income Before Other Revenues	<u>52,002,140</u>
Capital Contributions	37,488,120
Additions to Endowments	<u>2,249,929</u>
Total Other Revenues	<u>39,738,049</u>
Increase in Net Position	91,740,189
<b>NET POSITION</b>	
Net Position - July 1, 2023, as Restated (Note 21)	<u>590,070,594</u>
Net Position - June 30, 2024	<u>\$ 681,810,783</u>

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

# Statement of Cash Flows

## Proprietary Fund

For the Fiscal Year Ended June 30, 2024

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### CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 244,221,995
Payments to Employees and Fringe Benefits	(277,090,196)
Payments to Vendors and Suppliers	(125,459,077)
Payments for Scholarships and Fellowships	(28,477,013)
Loans Issued	(3,562)
Collection of Loans	229,119
Interest Earned on Loans	25,447
William D. Ford Direct Lending Receipts	71,136,641
William D. Ford Direct Lending Disbursements	(71,136,641)
Related Activity Agency Receipts	45,736,701
Related Activity Agency Disbursements	(46,311,218)
Other Payments	(797,034)
	<hr/>
Net Cash Used by Operating Activities	(187,924,838)

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	208,553,275
Proceeds from All-Risk Insurance	3,063,980
Hurricane Recovery Payments to Vendors and Suppliers	(1,148,500)
Student Financial Aid	29,977,482
Federal Aid - COVID-19	632,739
Noncapital Contributions	7,604,767
Additions to Endowments	2,249,929
	<hr/>
Net Cash Provided by Noncapital Financing Activities	250,933,672

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

Capital Contributions	37,414,289
Proceeds from Sale of Capital Assets	103,987
Proceeds from Lease Arrangements	875,474
Acquisition and Construction of Capital Assets	(62,153,759)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(15,639,007)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(8,089,089)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(47,488,105)

### CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	453,860
Investment Income	10,865,520
Purchase of Investments and Related Fees	(50,272,455)
	<hr/>
Net Cash Provided by Investing Activities	(38,953,075)
	<hr/>
Net Increase in Cash and Cash Equivalents	(23,432,346)
Cash and Cash Equivalents - July 1, 2023	249,020,412
	<hr/>
Cash and Cash Equivalents - June 30, 2024	\$ 225,588,066



# Statement of Cash Flows

## Proprietary Fund

For the Fiscal Year Ended June 30, 2024

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

Operating Loss	\$	(215,851,264)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation/Amortization Expense		28,060,337
Lease Income (Amortized Deferred Inflows of Resources)		(851,025)
Allowances and Write-Offs		(48,941)
Other Nonoperating Income		356,466
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		(289,583)
Inventories		(43,531)
Notes Receivable, Net		322,341
Prepaid Items		48,975
Deferred Outflows Related to Pensions		(5,120,068)
Deferred Outflows Related to Other Postemployment Benefits		(6,780,189)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		967,309
Funds Held for Others		(574,517)
Unearned Revenue		2,693,046
Net Pension Liability		10,428,443
Net Other Postemployment Benefits Liability		31,461,734
Compensated Absences		564,807
Deposits Payable		6,633
Workers' Compensation Liability		17,589
Deferred Inflows Under Public-Private Partnerships		(2,722,204)
Deferred Inflows Related to Pensions		(332,854)
Deferred Inflows Related to Other Postemployment Benefits		<u>(30,238,342)</u>
Net Cash Used by Operating Activities	\$	<u>(187,924,838)</u>

### NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$	3,195,342
Assets Acquired through a Gift		9,850
Change in Fair Value of Investments		17,577,588
Loss on Disposal of Capital Assets		(2,143,271)
Amortization of Bond Premiums		(1,012,268)
Amortization of Deferred Loss on Refunding		197,075
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions		(305,793)

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

# Statement of Fiduciary Net Position

## Fiduciary Fund - Custodial Funds

June 30, 2024

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	<u>Other Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 3,844,865</u>
Total Assets	<u>3,844,865</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>
<b>LIABILITIES</b>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for:	
Affiliated Organizations	<u>3,844,865</u>
Total Fiduciary Net Position	<u>\$ 3,844,865</u>

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

# Statement of Changes in Fiduciary Net Position

## Fiduciary Fund - Custodial Funds

June 30, 2024

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	<u>Other Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Affiliated Organizations	\$ 3,537,838
Investment Activity:	
Investment Income	<u>128,361</u>
Total Additions	<u>3,666,199</u>
<b>DEDUCTIONS</b>	
Withdrawals and Distributions	<u>2,929,113</u>
Increase in Fiduciary Net Position	737,086
<b>NET POSITION</b>	
Net Position - July 1, 2022	<u>3,107,779</u>
Net Position - June 30, 2023	<u>\$ 3,844,865</u>

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

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# Notes to the Financial Statements

June 30, 2024

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## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. **Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina Wilmington (University or UNCW) is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are blended in the University's financial statements. See below for further discussion of the University's component units. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

**Blended Component Units** - Although legally separate, the UNCW Corporation (Corporation), the UNCW Corporation II (Corporation II), the UNCW Research Foundation (Research Foundation), and the Donald R. Watson Foundation, Inc. (Watson Foundation), component units of the University, are reported as if they were part of the University.

The Corporation was organized to enhance the University of North Carolina Wilmington's educational mission, including overseeing and assisting in the acquisition and financing of capital assets for the University. The Corporation is a public not-for-profit organization that reports its financial results under Governmental Accounting Standards Board (GASB) Statements. The Corporation is governed by a six-member board of which three are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Corporation II includes the activities of the single member entities, UNCW Corporation Real Property I, LLC (Real Property), and UNCW Corporation College Station, LLC (College Station). The Corporation II was organized to enhance the University of North Carolina Wilmington's educational mission, including constructing or managing facilities for the University. These entities acquire real property that is used solely by the University for auxiliary support, off-campus parking, or other agreed upon activities. The Corporation II is a public not-for-profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Corporation II is governed by a seven-member board of which four are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation II's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Research Foundation includes the activities of the single member entities, UNCW Corporation Research I, LLC, MARBIONC Development Group, LLC, The CREST Millennial Campus, LLC, the UNCW Center for Innovation and Entrepreneurship, LLC, and the UNCW Innovation Coalition Corporation. The Research Foundation was organized to enhance the University of North Carolina Wilmington's educational mission. These entities, through collaborative research relationships, pursue commercialization opportunities and the economic development of research discoveries, materials, and intellectual properties for the benefit of the University. The Research Foundation is a public not-for-profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Research Foundation is governed by a four-member board, all of which are delegates of the University. As the Research Foundation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Watson Foundation was organized to support charitable, religious, scientific, and educational institutions located in the State of North Carolina provided that each supported organization is tax exempt and eligible to receive charitable donations. The Watson Foundation is a public not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from that of GASB. The financial statement format of the Watson Foundation was modified to make it compatible with the University's financial statement format. The Watson Foundation is governed by a five-member board of which three are appointed by the Board of Trustees, and two are appointed by the benefactor. Because a majority of the directors of the Watson Foundation are appointed by the members of the University of North Carolina Wilmington's Board of Trustees and the Watson Foundation's primary purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

Separate financial statements for the Corporation, the Corporation II, the Research Foundation, and the Watson Foundation may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5918, or by calling 910-962-3139.

Condensed combining information regarding blended component units is provided in Note 19.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities, and GASB Statement No. 84, Fiduciary Activities*, require the presentation of both proprietary and fiduciary fund financial statements. See below for a description of each fund.

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

**Fiduciary Fund** - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of affiliated organizations. Custodial funds include resources held on behalf of four separately incorporated nonprofit foundations associated with the University. See Note 18 for detailed information regarding the nature of the fiduciary activities.

- C. Basis of Accounting** - The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis,

revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

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

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

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. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the \$5,000 threshold are capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-100 years
Machinery and Equipment	2-50 years
General Infrastructure	10-50 years

The Randall Library Special collection is capitalized at cost or acquisition value at the date of donation. The collection is considered inexhaustible and is therefore not depreciated.

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying lease has an annual payment of \$20,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription has an annual payment of \$20,000 or greater and an estimated useful life of more than one year.

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

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

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

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

Revenue bonds payable and limited obligation bonds are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method that approximates the effective interest method. 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 disaggregated 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 2023 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2023 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund and Disability Income Plan of North Carolina. See Note 15 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- M. **Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

- N. **Net Position** - The University's net position is classified as follows:

**Proprietary Fund**

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 11 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

#### **Fiduciary Fund**

**Restricted Net Position** - Fiduciary net position includes resources held in a custodial capacity for other organizations, that are not available for alternative use by the University.

- O. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.
- P. Revenue and Expense Recognition** - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the University, as well

as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

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

## **NOTE 2 - DEPOSITS AND INVESTMENTS**

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

At June 30, 2024, the amount shown on the Statement of Net Position and the Statement of Fiduciary Net Position as cash and cash equivalents includes \$225,421,189 for the proprietary fund and \$3,844,865 for the fiduciary fund, 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 1.4 years as of June 30, 2024. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Cash on hand at June 30, 2024 was \$34,905. The carrying amount of the University's deposits not with the State Treasurer was \$131,972, and the bank balance was \$130,898. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2024, the University did not have any bank balance that was exposed to custodial credit risk.

- B. Investments** - The University is authorized by the University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina

to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

Additionally, the University has also been delegated authority by the President of the University of North Carolina pursuant to G.S. 116-36.1 and Section 600.2.4.1 of the Policy Manual of the University of North Carolina to invest its trust funds in the same manner as the State Treasurer is required to invest, as discussed below.

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

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

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

Investments of the University's component unit, the Watson Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements.

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

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

*Interest Rate Risk:* Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University's formal policy is designed to reduce interest rate risk. The policy permits investments in high quality instruments of limited duration (up to 24 months). Permitted investments are United States (U.S.) Treasury Bills, Notes, and Bonds (backed by the full faith and credit of the U.S.), Bank Certificates of Deposit (Federal Deposit Insurance Corporation Insured), U.S. Government Money Market Funds (AAA), and the State Treasurer's STIF.

*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.

**Long-Term Investment Pool** - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unit value method. Under this method, the pool uses a unit basis to determine each participating fund's market value and to determine the fund's earnings. The investment strategy, including the selection of investment managers, is based

on the directives of the Board of Trustees of the Endowment Fund. At year-end, the pooled investments subject to interest rate risk were all held with the UNC Investment Fund, LLC.

**UNC Investment Fund, LLC** - At June 30, 2024, the University's investments include \$155,185,266, 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, 2024, for the University's non-pooled investments.

<b>Non-Pooled Investments</b>				
	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
<b>Investment Type</b>				
Debt Securities				
U.S. Treasuries	\$ 50,066,490	\$ 33,177,094	\$ 16,889,396	\$ -
Debt Mutual Funds	409,863	-	105,178.00	304,685.00
Money Market Mutual Funds	5,811	5,811	-	-
<b>Total Debt Securities</b>	50,482,164	<u>\$ 33,182,905</u>	<u>\$ 16,994,574</u>	<u>\$ 304,685</u>
Other Securities				
Equity Mutual Funds	1,121,628			
<b>Total Non-Pooled Investments</b>	<u>\$ 51,603,792</u>			

At June 30, 2024, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	\$ 409,863	\$ 206,494	\$ 38,844	\$ 43,729	\$ 62,499	\$ 48,053	\$ 10,244
Money Market Mutual Funds	5,811	5,811	-	-	-	-	-
<b>Totals</b>	<u>\$ 415,674</u>	<u>\$ 212,305</u>	<u>\$ 38,844</u>	<u>\$ 43,729</u>	<u>\$ 62,499</u>	<u>\$ 48,053</u>	<u>\$ 10,244</u>

Rating Agency: Standard & Poor's

**Total Investments** - The following table presents the total investments at June 30, 2024:

Investment Type	Amount
<b>Debt Securities</b>	
U.S. Treasuries	\$ 50,066,490
Debt Mutual Funds	409,863
Money Market Mutual Funds	5,811
<b>Other Securities</b>	
UNC Investment Fund	155,185,266
Equity Mutual Funds	1,121,628
<b>Total Investments</b>	<b>\$ 206,789,058</b>

### NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the University’s investments are recorded at fair value as of June 30, 2024. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

The following table summarizes the University’s proprietary and fiduciary fund investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2024:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Investments by Fair Value Level</b>				
Debt Securities				
U.S. Treasuries	\$ 50,066,490	\$ 50,066,490	\$ -	\$ -
Debt Mutual Funds	409,863	409,863	-	-
Money Market Mutual Funds	5,811	5,811	-	-
<b>Total Debt Securities</b>	50,482,164	50,482,164	-	-
Equity Mutual Funds	1,121,628	1,121,628	-	-
<b>Total Investments by Fair Value Level</b>	51,603,792	\$ 51,603,792	\$ -	\$ -
<b>Investments as a Position in an External Investment Pool</b>				
Short-Term Investment Fund	229,266,054			
UNC Investment Fund	155,185,266			
<b>Total Investments as a Position in an External Investment Pool</b>	384,451,320			
<b>Total Investments Measured at Fair Value</b>	<u>\$ 436,055,112</u>			

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

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

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

## 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.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment fund are based on an adopted spending policy which limits spending to 4.5% of the average market value of the endowment over three previous years. To the extent that the total return for 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, 2024, net appreciation of \$71,470,494 was available to be spent, of which \$63,951,201 was classified in net position as it is restricted, expendable for specific purposes, including scholarships, research, instruction, and other uses. The remaining portion of net appreciation available to be spent is classified as unrestricted net position. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

## NOTE 5 - RECEIVABLES

Receivables at June 30, 2024, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 5,057,025	\$ 602,817	\$ 4,454,208
Accounts	3,613,241	-	3,613,241
Intergovernmental	3,703,955	-	3,703,955
Pledges	1,774,349	73,873	1,700,476
Interest on Loans	21,916	-	21,916
Other	21,732	-	21,732
<b>Total Current Receivables</b>	<b>\$ 14,192,218</b>	<b>\$ 676,690</b>	<b>\$ 13,515,528</b>
<b>Noncurrent Receivables:</b>			
Pledges	\$ 1,810,777	\$ 77,348	\$ 1,733,429
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Federal Loan Programs	\$ 152,968	\$ 13,502	\$ 139,466
Promissory Note	100,727	-	100,727
Institutional Student Loan Programs	183,180	-	183,180
<b>Total Notes Receivable - Current</b>	<b>\$ 436,875</b>	<b>\$ 13,502</b>	<b>\$ 423,373</b>
<b>Notes Receivable - Noncurrent:</b>			
Federal Loan Programs	\$ 378,573	\$ 45,429	\$ 333,144
Promissory Note	69,421	-	69,421
Institutional Student Loan Programs	348,606	-	348,606
<b>Total Notes Receivable - Noncurrent</b>	<b>\$ 796,600</b>	<b>\$ 45,429</b>	<b>\$ 751,171</b>



## NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2024, is presented as follows:

	Balance July 1, 2023 (as Restated)	Increases	Decreases	Balance June 30, 2024
<b>Capital Assets, Nondepreciable:</b>				
Land and Permanent Easements	\$ 14,848,968	\$ 1,102,385	\$ -	\$ 15,951,353
Art, Literature, and Artifacts	2,153,391	9,850	126,452	2,036,789
Construction in Progress	30,650,669	50,649,566	14,076,848	67,223,387
<b>Total Capital Assets, Nondepreciable</b>	<b>47,653,028</b>	<b>51,761,801</b>	<b>14,203,300</b>	<b>85,211,529</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	892,200,764	6,649,140	4,024,536	894,825,368
Machinery and Equipment	82,850,461	14,853,587	2,033,594	95,670,454
General Infrastructure	72,799,503	8,058,555	-	80,858,058
Right-to-Use Leased Buildings	1,051,615	144,301	-	1,195,916
Right-to-Use Leased Machinery and Equipment	897,643	-	-	897,643
Right-to-Use Subscription Assets	14,671,379	3,120,849	-	17,792,228
<b>Total Capital Assets, Depreciable</b>	<b>1,064,471,365</b>	<b>32,826,432</b>	<b>6,058,130</b>	<b>1,091,239,667</b>
<b>Less Accumulated Depreciation/Amortization for:</b>				
Buildings	216,008,944	11,767,857	3,085,613	224,691,188
Machinery and Equipment	52,013,231	8,743,012	851,711	59,904,532
General Infrastructure	22,315,332	1,918,618	-	24,233,950
Right-to-Use Leased Buildings	210,560	86,944	-	297,504
Right-to-Use Leased Machinery and Equipment	321,245	208,395	-	529,640
Right-to-Use Subscription Assets	2,321,380	5,335,511	-	7,656,891
<b>Total Accumulated Depreciation/Amortization</b>	<b>293,190,692</b>	<b>28,060,337</b>	<b>3,937,324</b>	<b>317,313,705</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>771,280,673</b>	<b>4,766,095</b>	<b>2,120,806</b>	<b>773,925,962</b>
<b>Capital Assets, Net</b>	<b>\$ 818,933,701</b>	<b>\$ 56,527,896</b>	<b>\$ 16,324,106</b>	<b>\$ 859,137,491</b>

As of June 30, 2024, the total amount of right-to-use leased and subscription assets was \$2,093,559 and \$17,792,228, and the related accumulated amortization was \$827,144 and \$7,656,891, respectively.

## NOTE 7 - PUBLIC-PRIVATE PARTNERSHIP FOR STUDENT HOUSING FACILITY

The University entered an agreement on December 20, 2018, with CHF-Wilmington, LLC (CHF) to construct and operate a Student Housing Facility. The University entered into this agreement to address a shortage of student housing caused by enrollment growth yet avoid the issuance of debt. The Student Housing Facility consists of a 1,038-bed, two-building student housing facility completed in the Fall of 2020 ("Phase I") and a 776-bed, two-building student housing facility completed in the Fall of 2021 (Phase II). The project is on property located on the campus of the University of North Carolina Wilmington and leased to CHF for 50 years. Upon final payment of all indebtedness owed under the agreement, CHF will transfer all of its interest in the facility for no cost to the University. The agreement meets the definition of a service concession arrangement, as defined in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. As a result, the University reports the project as a capital asset and a related deferred inflow of resources. The University also reports the student housing facility as a capital asset with a carrying amount of \$127,439,202 at year-end and a related deferred inflow

of resources of \$120,974,483. The net effect of this arrangement is reflected in the Statement of Net Position as an increase to net investment in capital assets of \$6,464,719.

The student housing facility is managed by the University under the terms of the management agreement. The University operates the facility with budgetary oversight from CHF.

## NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2024, were as follows:

	Amount
<b>Current Accounts Payable and Accrued Liabilities</b>	
Accounts Payable	\$ 2,533,291
Accounts Payable - Capital Assets	3,690,222
Accrued Payroll	1,018,488
Contract Retainage	1,537,044
Intergovernmental Payables	626,473
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<u>\$ 9,405,518</u>

## NOTE 9 - LONG-TERM LIABILITIES

**A. Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2024, is presented as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 73,770,000	\$ -	\$ 1,530,000	\$ 72,240,000	\$ 1,680,000
Limited Obligation Bonds	97,050,000	-	5,075,000	91,975,000	5,320,000
Bonds from Direct Placements	17,485,000	-	3,075,000	14,410,000	3,131,000
Plus: Unamortized Premium	16,798,103	-	1,012,268	15,785,835	-
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net	205,103,103	-	10,692,268	194,410,835	10,131,000
Notes from Direct Borrowings	8,002,394	-	714,052	7,288,342	752,105
Total Long-Term Debt	213,105,497	-	11,406,320	201,699,177	10,883,105
Other Long-Term Liabilities					
Leases Payable	1,387,526	144,301	273,436	1,258,391	174,095
Subscription (SBITA) Liabilities	8,885,589	3,051,041	4,971,519	6,965,111	4,156,629
Employee Benefits					
Compensated Absences	13,392,476	10,793,918	10,229,111	13,957,283	458,391
Net Pension Liability	65,577,460	10,428,443	-	76,005,903	-
Net Other Postemployment Benefits Liability	201,859,359	31,178,535	22,594	233,015,300	-
Workers' Compensation	739,291	508,270	490,681	756,880	272,476
Total Other Long-Term Liabilities	291,841,701	56,104,508	15,987,341	331,958,868	5,061,591
<b>Total Long-Term Liabilities, Net</b>	<u>\$ 504,947,198</u>	<u>\$ 56,104,508</u>	<u>\$ 27,393,661</u>	<u>\$ 533,658,045</u>	<u>\$ 15,944,696</u>

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 10.

Additional information regarding the net pension liability is included in Note 14.

Additional information regarding the net other postemployment benefits liability is included in Note 15.

Additional information regarding workers' compensation is included in Note 16.

**B. Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements** - The University was indebted for revenue bonds payable, limited obligation bonds, and bonds from direct placements for the purposes shown in the following table:

Purpose	Series	Interest Rate/Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2024
<b>Revenue Bonds Payable</b>					
<b>UNCW General Revenue Bonds</b>					
Parking Deck	2019	3.0% - 5.0%	04/01/2049	\$ 21,350,000	\$ 21,350,000
Refund 2010 and 2010D; Dining Facility (2019B)	2019B	2.25% - 5.0%	10/01/2049	41,395,000	39,485,000
Refund 2010C	2020A	5.0%	10/01/2026	11,180,000	2,985,000
Recreational Fields and Facilities	2021	4.0%	10/01/2050	8,420,000	8,420,000
<b>Total UNCW General Revenue Bonds</b>				<b>82,345,000</b>	<b>72,240,000</b>
<b>Limited Obligation Bonds</b>					
Student Housing-Seahawk Village & Seahawk Landing	2015	3.0% - 5.0%	06/01/2037	59,550,000	43,985,000
Student Housing-Seahawk Crossing & Parking Deck	2016	3.0% - 5.0%	06/01/2038	57,235,000	47,990,000
<b>Total Limited Obligation Bonds</b>				<b>116,785,000</b>	<b>91,975,000</b>
<b>Bonds from Direct Placements</b>					
Refund 2006A	2016	2.17%	10/01/2033	11,484,000	5,665,000
Refund 2011 and 2012	2020B	1.83%	01/01/2028	15,868,000	8,745,000
<b>Total Bonds from Direct Placements</b>				<b>27,352,000</b>	<b>14,410,000</b>
<b>Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements (principal only)</b>				<b>\$ 226,482,000</b>	<b>178,625,000</b>
Plus: Unamortized Premium					<b>15,785,835</b>
<b>Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net</b>					<b>\$ 194,410,835</b>

**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, 2024
Energy Conservation Loan	Truist Bank	1.99%	03/01/2030	\$ 4,542,387	\$ 2,351,328
Energy Conservation Loan	The Huntington National Bank	3.42%	06/30/2033	6,846,011	4,227,663
Truist Hall	Truist Bank	2.99%	06/10/2029	1,014,649	709,351
<b>Total Notes from Direct Borrowings</b>				<b>\$ 12,403,047</b>	<b>\$ 7,288,342</b>

The University plans to refinance the notes maturing on June 10, 2029 with other long-term financing.

**D. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2024, are as follows:

Annual Requirements								
Fiscal Year	Revenue Bonds Payable		Limited Obligation Bonds		Bonds from Direct Placements		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,680,000	\$ 2,863,912	\$ 5,320,000	\$ 3,771,875	\$ 3,131,000	\$ 284,747	\$ 752,105	\$ 207,472
2026	1,765,000	2,778,537	5,565,000	3,532,225	3,176,000	224,115	799,266	186,041
2027	1,860,000	2,688,687	5,790,000	3,308,875	2,489,000	162,651	841,523	163,475
2028	2,325,000	2,592,038	6,015,000	3,078,575	2,368,000	115,661	893,399	139,843
2029	2,435,000	2,476,013	6,280,000	2,807,525	510,000	69,690	940,418	114,867
2030-2034	14,070,000	10,467,119	35,570,000	9,899,125	2,736,000	162,284	3,061,631	163,789
2035-2039	18,400,000	7,084,000	27,435,000	2,276,600	-	-	-	-
2040-2044	14,420,000	3,790,650	-	-	-	-	-	-
2045-2049	13,795,000	1,620,700	-	-	-	-	-	-
2050-2051	1,490,000	44,600	-	-	-	-	-	-
<b>Total Requirements</b>	<b>\$ 72,240,000</b>	<b>\$ 36,406,256</b>	<b>\$ 91,975,000</b>	<b>\$ 28,674,800</b>	<b>\$ 14,410,000</b>	<b>\$ 1,019,148</b>	<b>\$ 7,288,342</b>	<b>\$ 975,487</b>

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

The outstanding **Revenue Bonds Payable** of \$72,240,000 and **Bonds from Direct Placements** of \$14,410,000 (together, “General Revenue Bonds”) contain provisions that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

The outstanding **Limited Obligation Bonds** (LOBs) of \$91,975,000 are obligations of the UNCW Corporation secured by revenues which include rentals payable by the University under leases and use agreements on the facilities financed and refinanced with the LOBs. The LOBs are further secured by a deed of trust on the property financed and refinanced with the LOBs. The outstanding LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. Additionally, the bonds become immediately due and payable if an event of default occurs under the leases or use agreements or under the deed of trust. The Trustee may also take property secured under the deed of trust held as security, including foreclosure on the property held as security.

**Notes from Direct Borrowings** - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for UNC System Guaranteed Energy Savings Installment Financing Agreements in relation to the outstanding notes from direct borrowing of \$6,578,991. 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 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days.

Upon the occurrence of any event of default, the lender may declare the outstanding amount 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.

UNCW has one outstanding note from direct borrowing of \$709,351 dated July 3, 2019, which is an obligation of UNCW Corporation Real Property I, LLC. It contains provisions that in the event of default, the lender may take any or all of the following actions: (1) declare all balances due immediately; (2) require additional pledged collateral; (3) take possession and foreclose upon the collateral; (4) exercise all rights and remedies available under the agreement or under applicable law; and (5) cease any obligation to advance funds.

## NOTE 10 - LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

- A. Lessor Arrangements** - The University leases buildings, land, and towers to external parties. The leases expire at various dates, and some have renewal options. Lease receivables and related deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year ended June 30, 2024, the University recognized operating revenues related to lessor arrangements totaling \$421,092, and nonoperating lease interest income totaling \$8,841. During the year the University did not recognize any variable payment amounts.

The University's lessor arrangements at June 30, 2024, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2023	Current Portion	Lease Terms <sup>(1)</sup>	Interest Rate Ranges
Lessor:					
Land	2	\$ 192,714	\$ 39,638	4 - 9 years	0.9% - 1.5%
Buildings	4	248,670	186,841	1 - 5 years	0.3% - 1.1%
General Infrastructure	3	131,751	131,751	4 - 5 years	0.9% - 1.1%
<b>Total</b>	<b>9</b>	<b>\$ 573,135</b>	<b>\$ 358,230</b>		

(1) The lease terms represent the range of remaining terms in each lease.

- B. Lessee Arrangements** - The University has lease agreements for the right to use buildings and machinery and equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of expected receipts over the term of the respective leases. The expected payments are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate. During the year the University did not recognize any variable payment amounts.

The University's lessee arrangements at June 30, 2024, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2024	Current Portion	Lease Terms <sup>(1)</sup>	Interest Rate Ranges
Lessee:					
Right-to-Use Leased Buildings	2	\$ 893,162	\$ 48,863	3 - 25 years	0.5% - 3.1%
Right-to-Use Leased Machinery and Equipme	3	365,229	125,232	2 - 8 years	0.5% - 1.8%
<b>Total</b>	<b>5</b>	<b>\$ 1,258,391</b>	<b>\$ 174,095</b>		

(1) The lease terms represents the range of remaining terms in each lease.

**C. Subscription-Based Information Technology Arrangements (SBITAs)** - The University enters SBITAs for the right to use information technology software and cloud computing arrangement (network) assets from both external and related parties. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the subscription liability excluded the following variable payment amounts: payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of \$19,280 for these changes in variable payments not previously included in the measurement of the subscription liability.

The University's SBITAs at June 30, 2024, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2023	Current Portion	SBITA Terms and Conditions	Interest Rate Ranges
General Infrastructure	45	\$ 6,965,111	\$ 4,156,629	2 - 6 years	1.9% - 3.4%

**D. Annual Requirements** - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2024, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 174,095	\$ 27,784	\$ 4,156,629	\$ 161,925
2026	108,633	24,967	2,019,257	68,419
2027	114,669	22,431	682,540	18,122
2028	119,880	19,720	106,685	2,868
2029	91,125	17,371	-	-
2030-2034	158,854	71,146	-	-
2035-2039	179,811	50,189	-	-
2040-2044	203,533	26,467	-	-
2044-2047	107,791	3,375	-	-
<b>Total Requirements</b>	<b>\$ 1,258,391</b>	<b>\$ 263,450</b>	<b>\$ 6,965,111</b>	<b>\$ 251,334</b>

**NOTE 11 - NET POSITION**

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

	<u>Amount</u>
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (28,894,247)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(234,635,097)</u>
Effect on Unrestricted Net Position	(263,529,344)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>194,003,428</u>
<b>Total Unrestricted Net Position</b>	<u><b>\$ (69,525,916)</b></u>

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

Net investment in capital assets has been significantly affected by a transaction that resulted in the acquisition of capital assets and the recognition of deferred inflows of resources as shown in the following table:

	<u>Amount</u>
Carrying Value of Capital Assets Acquired Under Public-Private Partnership	\$ 127,439,202
Deferred Inflows Under Public-Private Partnership	<u>(120,974,483)</u>
Net Effect on Net Investment in Capital Assets	6,464,719
Total Net Investment in Capital Assets Before Recognition of Public-Private Partnership	<u>518,236,595</u>
<b>Total Net Investment in Capital Assets</b>	<u><b>\$ 524,701,314</b></u>

See Note 7 for detailed information regarding the amortization of the deferred inflows of resources under the public-private partnership.

## NOTE 12 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees, Net</b>	\$ 167,016,667	\$ 21,912,446	\$ 215,713	\$ 144,888,508
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$ 34,741,886	\$ 3,518,211	\$ 11,231	\$ 31,212,444
Dining	25,750,918	2,636,771	4,645	23,109,502
Parking	4,578,181	-	649	4,577,532
Recreation Services	3,750,252	-	8,236	3,742,016
Bookstore	1,124,972	-	-	1,124,972
Other	742,711	-	13,700	729,011
Sales and Services of Education and Related Activities	5,848,585	-	532	5,848,053
<b>Total Sales and Services, Net</b>	<b>\$ 76,537,505</b>	<b>\$ 6,154,982</b>	<b>\$ 38,993</b>	<b>\$ 70,343,530</b>
<b>Nonoperating Revenues:</b>				
<b>Noncapital Contributions, Net</b>	<b>\$ 6,345,665</b>	<b>\$ -</b>	<b>\$ 52,562</b>	<b>\$ 6,293,103</b>

## NOTE 13 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 149,337,837	\$ 29,013,953	\$ 612,031	\$ 116,292	\$ -	\$ 179,080,113
Research	10,275,489	10,084,205	476,930	-	-	20,836,624
Public Service	3,386,334	2,491,467	96,063	-	-	5,973,864
Academic Support	24,673,849	12,015,058	69,621	917	-	36,759,445
Student Services	13,946,490	4,742,317	197,584	484	-	18,886,875
Institutional Support	32,962,078	9,270,983	224,458	917	-	42,458,436
Operations and Maintenance of Plant	22,453,396	551,811	-	6,057,063	-	29,062,270
Student Financial Aid	-	-	25,341,969	-	-	25,341,969
Auxiliary Enterprises	20,274,125	48,475,789	1,458,357	3,368,729	-	73,577,000
Depreciation/Amortization	-	-	-	-	28,060,337	28,060,337
<b>Total Operating Expenses</b>	<b>\$ 277,309,598</b>	<b>\$ 116,645,583</b>	<b>\$ 28,477,013</b>	<b>\$ 9,544,402</b>	<b>\$ 28,060,337</b>	<b>\$ 460,036,933</b>

## NOTE 14 - PENSION PLANS

### A. Defined Benefit Plan

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



that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

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

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2024 was 17.64% of covered payroll. Plan members' contributions to the pension plan were \$5,336,294, and the University's contributions were \$15,689,666 for the year ended June 30, 2024.

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 2023 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

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

*Methods Used to Value TSERS Investment:* Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity

Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2023 *Annual Comprehensive Financial Report*.

*Net Pension Liability:* At June 30, 2024, the University reported a liability of \$76,005,903 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. 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, 2023, the University’s proportion was 0.45589%, which was an increase of 0.01406 from its proportion measured as of June 30, 2022, which was 0.44183%.

*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	12/31/2022
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 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, 2022 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies’ return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

*Discount Rate:* The discount rate used to measure the total pension liability was 6.5% for the December 31, 2022 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, 2023 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>
\$ 130,484,325	\$ 76,005,903	\$ 31,062,972

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2024, the University recognized pension expense of \$20,697,526. At June 30, 2024, 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	\$ 6,196,279	\$ 560,977
Changes of Assumptions	2,669,227	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	21,157,783	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,959,678	-
Contributions Subsequent to the Measurement Date	<u>15,689,666</u>	<u>-</u>
<b>Total</b>	<u>\$ 47,672,633</u>	<u>\$ 560,977</u>

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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

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

Year Ending June 30:	Amount
2025	\$ 10,715,527
2026	5,818,830
2027	13,993,271
2028	<u>894,362</u>
<b>Total</b>	<u>\$ 31,421,990</u>

- 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 year ended June 30, 2024, the University had a total payroll of \$213,679,058, of which \$98,552,363 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$5,913,142 and \$6,740,982, respectively. The amount of pension expense recognized in the current year related to ORP is \$6,127,445, equal to the employer contributions less forfeitures of \$613,537.

**NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS**

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about

the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2023 Annual Comprehensive Financial Report. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

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

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

*Methods Used to Value Plan Investments:* Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2023 *Annual Comprehensive Financial Report*.

## **B. Plan Descriptions**

### **1. Health Benefits**

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

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

*Benefits Provided:* Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 16. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

*Contributions:* Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The University's contractually-required contribution rate for the year ended June 30, 2024 was 7.14% of covered payroll. The University's contributions to the RHBF were \$13,386,829 for the year ended June 30, 2024.

In fiscal year 2022, the Plan transferred \$180.51 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2024, the University recognized noncapital contributions for RHBF of \$305,793.

## 2. Disability Income

*Plan Administration:* As discussed in Note 16, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the State's reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

*Benefits Provided:* Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after: (1) reaching the age of 65 and completing five years of membership service; (2) reaching the age of 60 and completing 25 years of creditable service; or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the

benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security benefits.

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

*Contributions:* Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2024 was 0.11% of covered payroll. The University's contributions to DIPNC were \$206,240 for the year ended June 30, 2024.

### **C. Net OPEB Liability**

*Retiree Health Benefit Fund:* At June 30, 2024, the University reported a liability of \$232,772,119 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. 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, 2023, the University's proportion was 0.87353%, which was an increase of 0.0246 from its proportion measured as of June 30, 2022, which was 0.84893%.

*Disability Income Plan of North Carolina:* At June 30, 2024, the University reported a liability of \$243,181 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. 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, 2023, the University's proportion was 0.91435%, which was an increase of 0.02093 from its proportion measured as of June 30, 2022, which was 0.89342%.

*Actuarial Assumptions:* The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, 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, 2023 utilizing update procedures incorporating the actuarial assumptions.



	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2022	12/31/2022
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2029	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates	7% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

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

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

\*\*\* Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2023.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real

rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

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

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

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2022 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

*Discount Rate:* The discount rate used to measure the total OPEB liability for RHBF was 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2023 compared to 3.08% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to

develop the blended discount rate of 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023, *Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*: The following presents the University’s proportionate share of the net OPEB liability of the plans, as well as what the plans’ net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

<b>Net OPEB Liability</b>				
	<u>1% Decrease (2.65%)</u>	<u>Current Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>	
RHBF	\$ 274,600,358	\$ 232,772,119	\$ 198,707,870	
	<u>1% Decrease (2.00%)</u>	<u>Current Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>	
DIPNC	\$ 292,336	\$ 243,181	\$ 193,129	

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

<b>Net OPEB Liability</b>				
	<u>1% Decrease</u>	<u>Current Healthcare</u>	<u>1% Increase</u>	
	(Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	(Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)	
RHBF	\$ 192,175,194	\$ 232,772,119	\$ 285,123,616	

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

*OPEB Expense*: For the fiscal year ended June 30, 2024, the University recognized OPEB expense as follows:

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ 7,717,561
DIPNC	319,261
<b>Total OPEB Expense</b>	<u>\$ 8,036,822</u>

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* At June 30, 2024, 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:**

	RHBFB	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 2,563,277	\$ 213,117	\$ 2,776,394
Changes of Assumptions	25,216,306	17,720	25,234,026
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,859,503	317,627	2,177,130
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	18,320,274	-	18,320,274
Contributions Subsequent to the Measurement Date	13,386,829	206,240	13,593,069
<b>Total</b>	<b>\$ 61,346,189</b>	<b>\$ 754,704</b>	<b>\$ 62,100,893</b>

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

	RHBFB	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 228,070	\$ 134,693	\$ 362,763
Changes of Assumptions	62,101,723	41,511	62,143,234
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,147,080	67,613	1,214,693
<b>Total</b>	<b>\$ 63,476,873</b>	<b>\$ 243,817</b>	<b>\$ 63,720,690</b>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ending June 30, 2025. 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:**

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2025	\$ (4,377,171)	\$ 99,489
2026	(12,359,295)	55,401
2027	(4,284,055)	96,623
2028	5,503,008	25,797
2029	-	15,565
Thereafter	-	11,772
<b>Total</b>	<b><u>\$ (15,517,513)</u></b>	<b><u>\$ 304,647</u></b>

## NOTE 16 - RISK MANAGEMENT

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

### A. Employee Benefit Plans

#### 1. State Health Plan

University employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 15, Other Postemployment Benefits, for additional information regarding retiree health benefits.

#### 2. Death Benefit Plan of North Carolina

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

#### 3. Disability Income Plan

Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the University for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an

additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 15, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

## **B. Other Risk Management and Insurance Activities**

### **1. Automobile, Fire, and Other Property Losses**

The University is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a \$25,000 per occurrence deductible.

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

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

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

### **3. Employee Dishonesty and Computer Fraud**

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

### **4. Statewide Workers' Compensation Program**

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

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

**5. Other Insurance Held by the University**

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Policies include cyber, boiler and machinery, crime, oceanographic equipment, watercraft and watercraft pollution coverage, and professional liability.

**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$13,146,671 and on other purchases were \$9,104,807 at June 30, 2024.
- B. Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.
- C. Other Contingent Receivables** - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Endowment Pledges	\$ 3,359,418

**NOTE 18 - RELATED PARTIES**

**Foundations** - There are four separately incorporated nonprofit foundations associated with the University. These foundations are the UNCW Student Aid Association, Inc. (Student Aid), the Foundation of the University of North Carolina at Wilmington, Inc. (Foundation), the Alumni Association of the University of North Carolina at Wilmington (Alumni), and the Friends of the University of North Carolina at Wilmington, Inc. (Friends). The University maintains a cash balance for each of the four foundations. This fiduciary relationship meets certain criteria of GASB Statement No. 84 and the cash balances and related activities are reported as custodial funds in the fiduciary fund financial statements.

Student Aid fosters and promotes the education of student athletes by obtaining donations for the scholarship program at the University. The association also raises funds for the improvement and construction of physical facilities used by the University for athletic purposes, for the University’s athletic scholarship fund, and to provide operational and supplementary support for the entire sports program. In addition, the association exists to encourage a fraternal spirit of loyalty and interest in the University by alumni, friends, and benefactors. Direct support from Student Aid totaled \$1,517,088 for the year ended June 30, 2024. The University maintains a cash balance for Student Aid which was \$3,036,703 as of June 30, 2024.

The Foundation assists the University by soliciting and receiving private gifts from individuals, corporations, and other organizations. These gifts support the University by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds for academic programs. In addition, the Foundation can accept and liquidate non-cash gifts for the University and acquire property on the University's behalf. The Foundation's direct support to the University totaled \$154,427 for the year ended June 30, 2024. The University maintains a cash balance for the Foundation which was \$409,760 as of June 30, 2024.

Alumni serves to connect and involve alumni, students, and friends in the promotion and advancement of the University. Occasionally donations are made from this association to the University. This support totaled \$8,971 for the year ended June 30, 2024. The University maintains a cash balance for the Alumni which was \$387,426, as of June 30, 2024.

Friends contributes gifts to the University based on grant requests and may at a donor's request, contribute to a University academic scholarship fund. This support totaled \$12,527 for the year ended June 30, 2024. The University maintains a cash balance for Friends which was \$10,976 as of June 30, 2024.

All of these foundations are self-sustaining; however, the University does support their operations through donated administrative services. The University's proprietary fund financial statements do not include the assets, liabilities, net assets, or operational transactions of the foundations, except for support from each organization to the University. Separate financial statements for these foundations may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5952, or by calling (910) 962-3139.



## NOTE 19 - BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component units for the year ended June 30, 2024, is presented as follows:

**Condensed Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2024**

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
<b>ASSETS</b>							
Current Assets	\$ 216,531,966	\$ -	\$ -	\$ -	\$ 653,818	\$ -	\$ 217,185,784
Capital Assets, Net	857,208,437	-	-	1,929,054	5,833	(5,833)	859,137,491
Other Noncurrent Assets	239,341,337	1,537,302	-	-	-	-	240,878,639
Component Unit Receivable from Primary Government	-	-	99,377,126	689,004	-	(100,066,130)	-
Total Assets	<u>1,313,081,740</u>	<u>1,537,302</u>	<u>99,377,126</u>	<u>2,618,058</u>	<u>659,651</u>	<u>(100,071,963)</u>	<u>1,317,201,914</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>114,754,063</u>	<u>-</u>	<u>4,444,645</u>	<u>-</u>	<u>-</u>	<u>(4,444,645)</u>	<u>114,754,063</u>
<b>LIABILITIES</b>							
Current Liabilities	35,908,082	-	5,627,490	25,004	11,302	-	41,571,878
Long-Term Liabilities, Net	423,279,366	-	93,749,636	684,347	-	-	517,713,349
Other Noncurrent Liabilities	4,295,865	-	-	-	-	-	4,295,865
Primary Government Payable to Component Unit	100,066,130	-	-	-	-	(100,066,130)	-
Total Liabilities	<u>563,549,443</u>	<u>-</u>	<u>99,377,126</u>	<u>709,351</u>	<u>11,302</u>	<u>(100,066,130)</u>	<u>563,581,092</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>186,564,102</u>	<u>-</u>	<u>4,444,645</u>	<u>-</u>	<u>-</u>	<u>(4,444,645)</u>	<u>186,564,102</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets	522,792,607	-	-	1,908,707	-	-	524,701,314
Restricted - Nonexpendable	87,134,155	999,796	-	-	-	-	88,133,951
Restricted - Expendable	137,878,376	537,506	-	-	85,552	-	138,501,434
Unrestricted	(70,082,880)	-	-	-	562,797	(5,833)	(69,525,916)
Total Net Position	<u>\$ 677,722,258</u>	<u>\$ 1,537,302</u>	<u>\$ -</u>	<u>\$ 1,908,707</u>	<u>\$ 648,349</u>	<u>\$ (5,833)</u>	<u>\$ 681,810,783</u>

\* The elimination net position amount of \$5,833 is a result of the Research Foundation having a lower capitalization threshold than the University

**Condensed Statement of Revenues, Expenses, and  
Changes in Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2024**

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
<b>OPERATING REVENUES</b>							
Student Tuition and Fees, Net	\$ 144,888,508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,888,508
Federal Grants and Contracts	12,291,468	-	-	-	-	-	12,291,468
State and Local Grants and Contracts	4,974,788	-	-	-	-	-	4,974,788
Nongovernmental Grants and Contracts	3,721,414	-	-	-	-	-	3,721,414
Sales and Services, Net	70,091,512	-	4,327,648	21,963	240,540	(4,338,133)	70,343,530
Interest Earnings on Loans	18,408	-	-	-	-	-	18,408
Lease Income	421,092	-	-	-	-	-	421,092
Other Operating Revenues	7,511,014	2,995	18,844	55,112	505,330	(566,834)	7,526,461
Total Operating Revenues	243,918,204	2,995	4,346,492	77,075	745,870	(4,904,967)	244,185,669
<b>OPERATING EXPENSES</b>							
Operating Expenses	431,703,522	85,831	18,844	54,571	693,147	(579,319)	431,976,596
Depreciation/Amortization	28,060,337	-	-	-	-	-	28,060,337
Total Operating Expenses	459,763,859	85,831	18,844	54,571	693,147	(579,319)	460,036,933
Operating Income (Loss)	(215,845,655)	(82,836)	4,327,648	22,504	52,723	(4,325,648)	(215,851,264)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State Appropriations	208,553,275	-	-	-	-	-	208,553,275
Student Financial Aid	29,959,839	-	-	-	-	-	29,959,839
Federal Aid - COVID-19	632,739	-	-	-	-	-	632,739
Noncapital Contributions, Net	6,289,903	-	-	-	3,200	-	6,293,103
Investment Income, Net	28,263,709	179,399	-	-	-	-	28,443,108
Interest and Fees on Debt	(7,184,073)	-	(4,327,648)	(21,963)	-	4,327,648	(7,206,036)
Hurricane Florence Disaster Costs	(1,148,500)	-	-	-	-	-	(1,148,500)
Hurricane Florence Insurance Recoveries	3,063,980	-	-	-	-	-	3,063,980
Other Nonoperating Expenses	(738,104)	-	-	-	-	-	(738,104)
Net Nonoperating Revenues (Expenses)	267,692,768	179,399	(4,327,648)	(21,963)	3,200	4,327,648	267,853,404
Capital Contributions	37,488,120	-	-	-	-	-	37,488,120
Additions to Endowments	2,249,929	-	-	-	-	-	2,249,929
Total Other Revenues	39,738,049	-	-	-	-	-	39,738,049
Increase in Net Position	91,585,162	96,563	-	541	55,923	2,000	91,740,189
<b>NET POSITION</b>							
Net Position, July 1, 2023 (as Restated)	586,137,096	1,440,739	-	1,908,166	592,426	(7,833)	590,070,594
Net Position, June 30, 2024	\$ 677,722,258	\$ 1,537,302	\$ -	\$ 1,908,707	\$ 648,349	\$ (5,833)	\$ 681,810,783

\* The elimination net position amount of \$5,833 is a result of Research Foundation having a lower capitalization threshold than the University

**Condensed Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2024**

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Total
Net Cash Provided (Used) by Operating Activities	\$ (197,181,259)	\$ (125)	\$ 9,100,625	\$ 46,164	\$ 109,757	\$ (187,924,838)
Net Cash Provided by Noncapital Financing Activities	250,933,672	-	-	-	-	250,933,672
Net Cash Used by Capital Financing and Related Financing Activities	(38,341,316)	-	(9,100,625)	(46,164)	-	(47,488,105)
Net Cash Used by Investing Activities	(38,953,075)	-	-	-	-	(38,953,075)
Net Increase (Decrease) in Cash and Cash Equivalents	(23,541,978)	(125)	-	-	109,757	(23,432,346)
Cash and Cash Equivalents, July 1, 2023	248,514,337	125	-	-	505,950	249,020,412
Cash and Cash Equivalents, June 30, 2024	\$ 224,972,359	\$ -	\$ -	\$ -	\$ 615,707	\$ 225,588,066

**NOTE 20 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2024, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 100, Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*

GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity, and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for each type of accounting change and error corrections, and requires disclosure in the notes to the financial statements of descriptive information about accounting changes and error corrections, such as their nature. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information.

**NOTE 21 - NET POSITION RESTATEMENT**

As of July 1, 2023, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2023 Net Position as Previously Reported	\$ 581,447,407
Restatement:	
Record the University's Grouped Assets Pursuant to GASB Implementation	
Guide 5.1 Grouped Assets	<u>8,623,187</u>
<b>July 1, 2023 Net Position as Restated</b>	<u><u>\$ 590,070,594</u></u>

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## Required Supplementary Information

### ***Schedule of the Proportionate Share of the Net Pension Liability Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan Last Ten Fiscal Years\****

<b>Teachers' and State Employees' Retirement System</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.45589%	0.44183%	0.43833%	0.41690%	0.42137%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 76,005,903	\$ 65,577,460	\$ 20,525,245	\$ 50,369,845	\$ 43,683,247
Covered Payroll	\$ 80,425,967	\$ 74,947,672	\$ 71,602,114	\$ 68,928,811	\$ 68,173,782
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	94.50%	87.50%	28.67%	73.08%	64.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.97%	84.14%	94.86%	85.98%	87.56%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.38917%	0.37310%	0.35978%	0.35723%	0.36424%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 38,746,112	\$ 29,603,399	\$ 33,067,499	\$ 13,164,633	\$ 4,270,426
Covered Payroll	\$ 62,252,744	\$ 57,507,190	\$ 53,596,237	\$ 53,297,118	\$ 52,894,845
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	62.24%	51.48%	61.70%	24.70%	8.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%	94.64%	98.24%

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.

# Required Supplementary Information

## ***Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan Last Ten Fiscal Years***

<b>Teachers' and State Employees' Retirement System</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually Required Contribution	\$ 15,689,666	\$ 13,978,033	\$ 12,276,429	\$ 10,582,792	\$ 8,940,067
Contributions in Relation to the Contractually Determined Contribution	<u>15,689,666</u>	<u>13,978,033</u>	<u>12,276,429</u>	<u>10,582,792</u>	<u>8,940,067</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 88,938,234	\$ 80,425,967	\$ 74,947,672	\$ 71,602,114	\$ 68,928,811
Contributions as a Percentage of Covered Payroll	17.64%	17.38%	16.38%	14.78%	12.97%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 8,378,558	\$ 6,710,846	\$ 5,739,218	\$ 4,904,056	\$ 4,876,686
Contributions in Relation to the Contractually Determined Contribution	<u>8,378,558</u>	<u>6,710,846</u>	<u>5,739,218</u>	<u>4,904,056</u>	<u>4,876,686</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 68,173,782	\$ 62,252,744	\$ 57,507,190	\$ 53,596,237	\$ 53,297,118
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%	9.15%	9.15%

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

# Notes to Required Supplementary Information

## **Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan For the Fiscal Year Ended June 30, 2024**

Changes of Benefit Terms:

### Cost of Living Increase

Teachers' and State Employees' Retirement System	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%

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

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

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

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

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

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions:** An actuarial valuation is performed for each year for the plan. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 14 for more information on the specific assumptions for the plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

**Changes of Assumptions:** In January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

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

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

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2023 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

## Required Supplementary Information

### ***Schedule of the Proportionate Share of the Net OPEB Liability or Asset Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans Last Eight Fiscal Years\****

<b>Retiree Health Benefit Fund</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Proportionate Share Percentage of Collective Net OPEB Liability	0.87353%	0.84893%	0.85417%	0.82024%	0.82035%
Proportionate Share of Collective Net OPEB Liability	\$ 232,772,119	\$ 201,593,584	\$ 264,070,324	\$ 227,540,712	\$ 259,553,742
Covered Payroll	\$ 172,709,595	\$ 161,743,441	\$ 153,900,045	\$ 148,430,764	\$ 145,968,903
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	134.78%	124.64%	171.59%	153.30%	177.81%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.73%	10.58%	7.72%	6.92%	4.40%
	<b>2019</b>	<b>2018</b>	<b>2017</b>		
Proportionate Share Percentage of Collective Net OPEB Liability	0.74397%	0.70267%	0.77946%		
Proportionate Share of Collective Net OPEB Liability	\$ 211,944,551	\$ 230,381,927	\$ 339,091,594		
Covered Payroll	\$ 135,553,502	\$ 124,750,663	\$ 118,788,130		
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	156.35%	184.67%	285.46%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%		



## Required Supplementary Information

### ***Schedule of the Proportionate Share of the Net OPEB Liability or Asset Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans Last Eight Fiscal Years\****

<b>Disability Income Plan of North Carolina</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.91435%	0.89342%	0.85940%	0.84553%	0.83465%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 243,181	\$ 265,775	\$ (140,374)	\$ (415,950)	\$ (360,151)
Covered Payroll	\$ 172,709,595	\$ 161,743,441	\$ 153,900,045	\$ 148,430,764	\$ 145,968,903
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.14%	0.16%	0.09%	0.28%	0.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.61%	90.34%	105.18%	115.57%	113.00%
	<b>2019</b>	<b>2018</b>	<b>2017</b>		
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.78348%	0.76875%	0.72922%		
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (237,990)	\$ (469,860)	\$ (452,846)		
Covered Payroll	\$ 135,553,502	\$ 124,750,663	\$ 118,788,130		
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.18%	0.38%	0.38%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	108.47%	116.23%	116.06%		

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

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

## Required Supplementary Information

### **Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans Last Ten Fiscal Years**

<b>Retiree Health Benefit Fund</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually Required Contribution	\$ 13,386,829	\$ 11,899,691	\$ 10,173,662	\$ 10,280,523	\$ 9,603,470
Contributions in Relation to the Contractually Determined Contribution	<u>13,386,829</u>	<u>11,899,691</u>	<u>10,173,662</u>	<u>10,280,523</u>	<u>9,603,470</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 187,490,597	\$ 172,709,595	\$ 161,743,441	\$ 153,900,045	\$ 148,430,764
Contributions as a Percentage of Covered Payroll	7.14%	6.89%	6.29%	6.68%	6.47%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 9,152,250	\$ 8,200,987	\$ 7,252,952	\$ 6,652,135	\$ 6,275,091
Contributions in Relation to the Contractually Determined Contribution	<u>9,152,250</u>	<u>8,200,987</u>	<u>7,252,952</u>	<u>6,652,135</u>	<u>6,275,091</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 145,968,903	\$ 135,553,502	\$ 124,750,663	\$ 118,788,130	\$ 114,300,390
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

# Required Supplementary Information

## **Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans Last Ten Fiscal Years**

<b>Disability Income Plan of North Carolina</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually Required Contribution	\$ 206,240	\$ 172,710	\$ 145,569	\$ 138,510	\$ 148,431
Contributions in Relation to the Contractually Determined Contribution	<u>206,240</u>	<u>172,710</u>	<u>145,569</u>	<u>138,510</u>	<u>148,431</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 187,490,597	\$ 172,709,595	\$ 161,743,441	\$ 153,900,045	\$ 148,430,764
Contributions as a Percentage of Covered Payroll	0.11%	0.10%	0.09%	0.09%	0.10%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 204,356	\$ 189,775	\$ 474,053	\$ 487,031	\$ 468,632
Contributions in Relation to the Contractually Determined Contribution	<u>204,356</u>	<u>189,775</u>	<u>474,053</u>	<u>487,031</u>	<u>468,632</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 145,968,903	\$ 135,553,502	\$ 124,750,663	\$ 118,788,130	\$ 114,300,390
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.38%	0.41%	0.41%

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

# Notes to Required Supplementary Information

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## **Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans For the Fiscal Year Ended June 30, 2024**

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

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

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

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

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

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

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

*Method and Assumptions Used in Calculations of Actuarially Determined Contributions:* An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 15 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

*Changes of Assumptions:* Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65%, from 3.54% as of June 30, 2022. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates was included. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 and the terms of the third party administrator contract effective January 1, 2025 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2023 for DIPNC, the discount rate was updated to 3.00%, from 3.08% as of June 30, 2022. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with a change in the degree to which the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2023 *Annual Comprehensive Financial Report*.

# The Board of Trustees and University Officers

June 30, 2024

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# Other Information

## Statement of Net Position

### Proprietary Fund

#### For Year Ended June 30

	2020 (Restated)	2021 (Restated)	2022 (Restated)	2023 (Restated)	2024
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 113,379,305	\$ 125,123,887	\$ 149,745,175	\$ 180,775,493	\$ 155,211,135
Restricted Cash and Cash Equivalents	37,274,783	38,075,807	31,438,100	33,529,071	38,986,855
Receivables, Net	10,371,191	9,446,322	13,097,135	12,427,695	13,515,528
Due from Primary Government	19,704,638	26,324,753	22,891,265	10,074,679	8,074,679
Inventories	394,921	454,727	594,294	572,453	615,984
Prepaid Items	77,455	56,371	-	48,975	-
Notes Receivable, Net	307,393	547,956	220,361	423,649	423,373
Leases Receivable, Net	-	415,524	369,203	445,541	358,230
Total Current Assets	<u>181,509,686</u>	<u>200,445,347</u>	<u>218,355,533</u>	<u>238,297,556</u>	<u>217,185,784</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	15,068,512	25,384,583	39,585,383	34,715,848	31,390,076
Receivables, Net	5,402,070	4,462,755	485,785	1,954,121	1,733,429
Restricted Due from Primary Government	14,576,548	-	-	-	-
Endowment Investments	94,953,987	134,626,607	139,974,673	139,392,875	156,722,568
Other Investments	-	-	-	-	50,066,490
Notes Receivable, Net	2,693,606	1,984,834	1,539,156	1,049,673	751,171
Leases Receivable	-	1,026,325	693,216	573,135	214,905
Net Other Postemployment Benefits Asset	360,151	415,950	140,374	-	-
Capital Assets - Nondepreciable	70,210,260	42,973,941	34,496,428	47,653,028	85,211,529
Capital Assets - Depreciable Net	<u>569,323,412</u>	<u>679,516,869</u>	<u>755,940,357</u>	<u>762,657,486</u>	<u>773,925,962</u>
Total Noncurrent Assets	<u>772,588,546</u>	<u>890,391,864</u>	<u>972,855,372</u>	<u>987,996,166</u>	<u>1,100,016,130</u>
Total Assets	<u>954,098,232</u>	<u>1,090,837,211</u>	<u>1,191,210,905</u>	<u>1,226,293,722</u>	<u>1,317,201,914</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Loss on Refunding	6,507,217	6,125,547	5,743,877	5,362,207	4,980,537
Deferred Outflows Related to Pensions	20,807,463	22,265,012	23,533,273	42,552,565	47,672,633
Deferred Outflows Related to Other Postemployment Benefits	<u>62,767,942</u>	<u>52,716,342</u>	<u>67,449,723</u>	<u>55,320,704</u>	<u>62,100,893</u>
Total Deferred Outflows of Resources	<u>90,082,622</u>	<u>81,106,901</u>	<u>96,726,873</u>	<u>103,235,476</u>	<u>114,754,063</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	11,886,682	5,555,146	4,231,775	4,289,822	9,405,518
Deposits Payable	60,361	55,028	54,236	37,209	43,842
Funds Held for Others	-	8,601	53,592	74,662	95,845
Unearned Revenue	11,273,217	18,197,664	14,209,978	14,230,154	14,919,360
Interest Payable	1,265,092	1,289,375	1,300,585	1,230,477	1,162,617
Long-Term Liabilities - Current Portion	<u>11,254,845</u>	<u>11,465,695</u>	<u>14,736,087</u>	<u>15,235,760</u>	<u>15,944,696</u>
Total Current Liabilities	<u>35,740,197</u>	<u>36,571,509</u>	<u>34,586,253</u>	<u>35,098,084</u>	<u>41,571,878</u>
Noncurrent Liabilities:					
Accounts Payable	225,000	201,705	100,853	-	-
Funds Held for Others	421,480	439,376	658,249	1,506,465	910,765
Unearned Revenue	3,489,916	3,621,484	1,809,944	1,061,156	3,064,996
U.S. Government Grants Refundable	2,401,213	1,874,895	788,583	241,459	320,104
Long-Term Liabilities, Net	<u>543,895,807</u>	<u>508,569,821</u>	<u>517,789,714</u>	<u>489,711,438</u>	<u>517,713,349</u>
Total Noncurrent Liabilities	<u>550,433,416</u>	<u>514,707,281</u>	<u>521,147,343</u>	<u>492,520,518</u>	<u>522,009,214</u>
Total Liabilities	<u>586,173,613</u>	<u>551,278,790</u>	<u>555,733,596</u>	<u>527,618,602</u>	<u>563,581,092</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows Under Service Concession Arrangements	-	68,012,640	126,415,295	123,696,687	120,974,483
Deferred Gain on Refunding	1,396,270	1,211,675	1,027,079	842,484	657,889
Deferred Inflows Related to Pensions	87,451	-	25,897,185	893,831	560,977
Deferred Inflows Related to Other Postemployment Benefits	<u>108,017,930</u>	<u>112,605,135</u>	<u>74,937,947</u>	<u>93,959,032</u>	<u>63,720,690</u>
Deferred Inflows for Leases	<u>-</u>	<u>1,441,849</u>	<u>1,072,692</u>	<u>1,071,155</u>	<u>650,063</u>
Total Deferred Inflows of Resources	<u>109,501,651</u>	<u>183,271,299</u>	<u>229,350,198</u>	<u>220,463,189</u>	<u>186,564,102</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	406,245,302	428,352,223	438,520,058	471,500,386	524,701,314
Restricted - Nonexpendable	64,944,542	72,859,495	79,402,565	84,360,730	88,133,951
Restricted - Expendable	104,005,159	136,453,823	136,143,091	120,875,146	138,501,434
Unrestricted	<u>(226,689,413)</u>	<u>(200,271,518)</u>	<u>(151,211,730)</u>	<u>(95,288,855)</u>	<u>(69,525,916)</u>
Net Position June 30	<u>\$ 348,505,590</u>	<u>\$ 437,394,023</u>	<u>\$ 502,853,984</u>	<u>\$ 581,447,407</u>	<u>\$ 681,810,783</u>

# Other Information

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

### Proprietary Fund

For the Fiscal Year Ended June 30, as indicated

	2020	2021 (Restated)	2022 (Restated)	2023	2024
<b>OPERATING REVENUES</b>					
Student Tuition, Net	\$ 85,937,333	\$ 83,554,607	\$ 89,120,926	\$ 91,750,251	\$ 102,740,864
Student Fees, Net	36,102,127	21,715,416	36,619,505	37,524,412	42,147,644
Student Tuition and Fees, Net	122,039,460	105,270,023	125,740,431	129,274,663	144,888,508
Federal Grants and Contracts	6,997,052	7,292,531	8,213,704	10,251,841	12,291,468
State and Local Grants and Contracts	3,029,367	3,570,901	3,769,883	4,876,313	4,974,788
Nongovernmental Grants and Contracts	1,228,170	1,754,764	2,760,489	3,497,903	3,721,414
Sales and Services, Net	43,668,723	37,987,226	48,137,746	60,868,751	70,343,530
Interest Earnings on Loans	-	7,568	-	-	18,408
Lease Income	-	-	466,678	500,104	421,092
Other Operating Revenues	3,391,452	3,553,549	5,946,978	6,708,584	7,526,461
Total Operating Revenues	180,354,224	159,436,562	195,035,909	215,978,159	244,185,669
<b>OPERATING EXPENSES</b>					
Salaries and Benefits	214,906,118	217,064,717	222,181,945	228,176,017	277,309,598
Supplies and Services	80,729,975	74,296,115	91,207,489	101,941,969	116,645,583
Scholarships and Fellowships	32,152,476	42,185,426	31,147,710	23,610,631	28,477,013
Utilities	7,221,660	7,254,663	8,781,853	9,623,560	9,544,402
Depreciation	15,500,957	16,741,545	16,644,614	19,209,056	28,060,337
Total Operating Expenses	350,511,186	357,542,466	369,963,611	382,561,233	460,036,933
Operating Loss	(170,156,962)	(198,105,904)	(174,927,702)	(166,583,074)	(215,851,264)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State Appropriations	148,520,674	148,882,748	181,222,251	192,468,360	208,553,275
State Aid - Coronavirus	4,597	6,679,340	3,209,461	-	-
Student Financial Aid	28,676,145	27,252,838	26,396,375	27,162,118	29,959,839
Federal Aid - COVID-19	4,376,550	39,796,415	13,678,372	1,023,199	632,739
Noncapital Contributions, Net	4,597,684	10,388,148	2,915,112	6,834,027	6,293,103
Investment Income, Net	5,354,963	40,511,581	5,966,519	4,857,271	28,443,108
Interest and Fees on Debt	(8,267,256)	(7,775,982)	(7,624,150)	(7,372,230)	(7,206,036)
Hurricane Florence Disaster Costs	(22,218,079)	(3,384,095)	(1,168,586)	(39,190)	(1,148,500)
Hurricane Florence Insurance Recoveries	7,879,333	-	2,099,328	5,252,326	3,063,980
Federal Interest Subsidy on Debt	344,151	-	-	-	-
Interest Earned on Leases	-	-	6,921	10,575	8,841
Other Nonoperating Revenues (Expenses)	(520,422)	35,235	279,391	(129,283)	(746,945)
Net Nonoperating Revenues	168,748,340	262,386,228	226,980,994	230,067,173	267,853,404
Income (Loss) Before Other Revenues	(1,408,622)	64,280,324	52,053,292	63,484,099	52,002,140
Capital Appropriations	-	7,835,934	-	-	-
Capital Contributions	39,669,358	9,565,258	10,125,117	10,724,276	37,488,120
Additions to Endowments	2,543,186	7,208,816	3,299,052	4,385,048	2,249,929
Total Other Revenues	42,212,544	24,610,008	13,424,169	15,109,324	39,738,049
Increase in Net Position	\$ 40,803,922	\$ 88,890,332	\$ 65,477,461	\$ 78,593,423	\$ 91,740,189
Net Position July 1	307,701,668	348,505,590	437,394,023	502,853,984	590,070,594
Change in Net Position	40,803,922	88,890,332	65,477,461	78,593,423	91,740,189
Net Position June 30	348,505,590	437,395,922	502,871,484	581,447,407	681,810,783
Net Position Adjustment	-	(1,899)	(17,500)	8,623,187	-
Restated Net Position June 30	\$ 348,505,590	\$ 437,394,023	\$ 502,853,984	\$ 590,070,594	\$ 681,810,783



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