

# 2020 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, 2020, 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 2020 Financial Report includes the University's financial statements as well as 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.

The University's total net position increased \$40.8 million in fiscal year 2020. Unrestricted net position decreased \$15.1 million primarily due to increased salaries and benefit expenses, along with increased expenses associated with scholarships and fellowships. These cash outlays were partially offset by \$7.9 million in Hurricane Florence insurance recoveries.

The market value of the endowment portfolio decreased 1.1% to \$103.8 million as of June 30, 2020. Increases to the portfolio included new gifts of \$2.5 million and net investment returns of \$2.3 million. These were offset by \$4.8 million in annual spending and fee distributions in addition to other withdrawals of \$1.1 million. The endowment is managed with a long-term time horizon with a primary return objective to provide a stream of distributions to support applicable University programs in perpetuity. While the endowment's one-year return of 2.3% was only slightly ahead of the 2.2% median return relative to peers (BNY Mellon and Foundation Universe), its strong long-term performance, which ranks in the top quartile of our institutional peers, allows us to meet University funding obligations to scholarships and academic programs.

Net position was favorably impacted by an increase in net capital assets of \$83.8 million largely due to the completion of three major capital projects. Specifically, Veterans Hall, the Central Parking Deck, and the Dobo Hall restoration project were all completed in the summer of 2020. In addition to University-led construction, Phase I of the student housing project developed through a public-private partnership (P3) with CHF-Wilmington, LLC was also under construction in fiscal year 2020 and opened this fall. Phase II of the P3 project remains under construction and is scheduled to open in the fall of 2021. The two phases will provide an additional 1,814 beds for students. UNCW also began work on the new Film Studies Building and a new campus dining facility in fiscal year 2020 with construction completion expected in the spring and fall of 2021, respectively.

The aforementioned facilities will provide space for a variety of new programs. Notably, in fiscal year 2020, UNCW began accepting applications for a Master of Science in Athletic Training, a Master of Healthcare Administration, a Master of Arts in Film Studies, and a Master of Fine Arts in Filmmaking, as well as an eSports Certificate program.

These new programs will provide exciting opportunities for the increasing number of students that are choosing to attend UNCW. Fall 2019 enrollment set a record with 17,499 students, the largest student body

in the University's history. This builds upon the University's trend of enrollment increases over the past decade – representing enrollment growth of 33.9% since the fall of 2010.

The University continued to be recognized at a national level for academic excellence and affordability receiving strong rankings from publications such as *U.S. News & World Report*, *The Princeton Review*, *BestColleges.com*, and *The Business Journals*, among others.

In addition to its commitment to students, UNCW continues to serve the community. February 2020 marked the 40<sup>th</sup> anniversary of UNCW's marine and environmental science enrichment programs, which have served more than 200,000 children and teens over the past four decades. UNCW also expanded its commitment to area businesses as the UNCW Swain Center for Executive Education and Economic Development expanded its services with online leadership programs to help business leaders and alumni successfully navigate through today's challenging economy.

While fiscal year 2020 saw many accomplishments, it was not without considerable disruption experienced as a result of the COVID-19 pandemic. At UNCW, the spring and summer semesters were each impacted as campus pivoted to online instruction and teleworking for faculty and staff. The pandemic also effected fiscal year 2020 earnings and net position – notably, sales and services were impacted by student refunds and lost revenue related to housing and dining plans. Fortunately, UNCW was able to allocate over \$4.4 million in emergency financial aid grants (made available through the Coronavirus Aid, Relief, and Economic Security Act) to more than 6,800 eligible students.

While the second half of fiscal year 2020 was difficult, the UNCW community worked together, and students prevailed – with more than 2,600 completing their degrees in May. Looking forward, UNCW is focused on making progress towards the goals identified in the current strategic plan, *Giving Flight to Imagination*, and will be prepared to emerge from the global pandemic ready to soar.

Sincerely,

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 financial activities for the fiscal year ended June 30, 2020. The MD&A identifies significant transactions that have financial 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 basic comprehensive financial statements that depict the financial activity and fiscal condition of the University for the current year: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles. The accrual basis of accounting has been used to prepare the statements. 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 University assets, deferred outflows and inflows, liabilities and net position. The University's 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 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 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 gifts as nonoperating revenues. With state appropriations and gifts being classified as nonoperating revenues, most public institutions will report an operating deficit.

An important 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 information that allows the reader to evaluate the University's ability to meet its financial obligations on a current basis.

## Financial Highlights

The COVID-19 pandemic's impact on the University was systemic. It changed the way the University operated in the second half of fiscal year 2020. Students, faculty, and staff had to innovate and transition to an on-line learning and remote work environment. These changes necessitated additional expenditures during fiscal year 2020 to mitigate the spread of COVID-19 and to provide for the health and safety of students, faculty, and staff. The University issued refunds to students related to the closure of campus housing and dining facilities. The University also distributed emergency federal financial aid grants to students for expenses related to the disruption of campus operations. These expenses were partially offset by revenues from the Coronavirus Aid, Relief, and Economic Security Act (CARES). See Note 19 for additional information related to the impact of COVID-19 on fiscal year 2020.

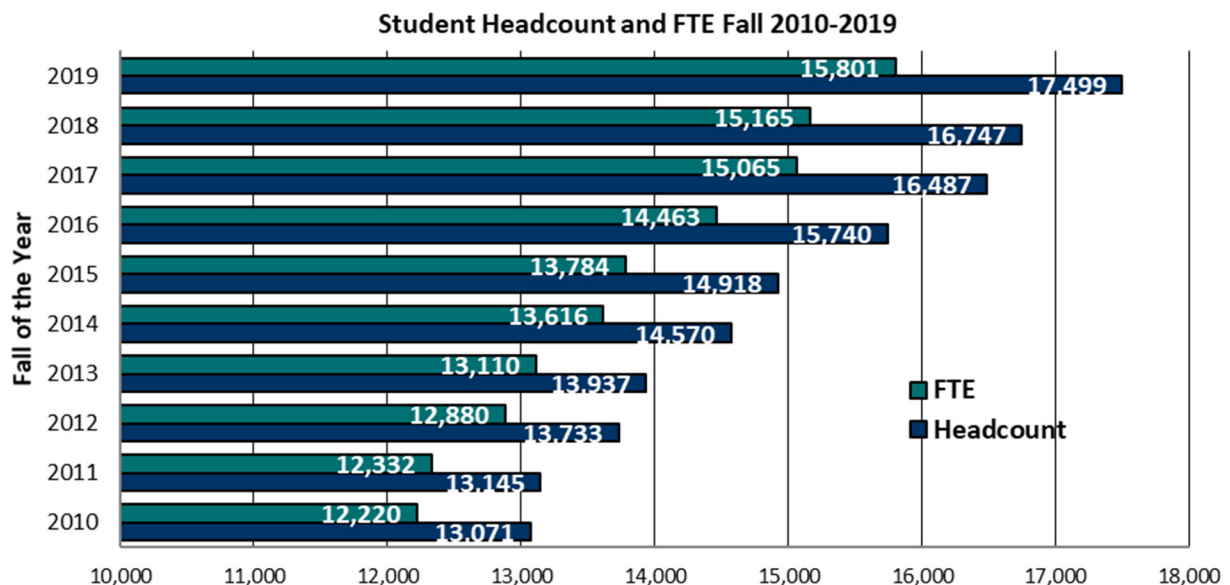
The University is still recovering from the damages caused by Hurricane Florence, which made landfall near the University's campus on September 14, 2018. The storm caused significant damage to the University including downed trees, flooding, and damage to buildings. After the storm, the University Apartments were condemned and demolished. Additionally, Dobo Hall, the University's primary science classroom and laboratory facility, which was significantly damaged during the storm, was closed. After extensive renovations, Dobo Hall was reopened in August 2020. During fiscal year 2020, the University incurred additional expenses and received additional insurance and Federal Emergency Management Agency (FEMA) reimbursements

related to Hurricane Florence. The University expects expenditures and recoveries to follow in future fiscal years. For more information on the impact of Hurricane Florence, see Note 18.

In fiscal year 2020, the University operated on a base budget from the prior fiscal year as the State of North Carolina did not adopt a new State budget. UNCW requested, but did not receive, an allocation of \$2.5 million from the UNC System for recurring enrollment funding for fiscal year 2020. Without a new State budget, the General Assembly could not approve permanent salary increases for University employees.

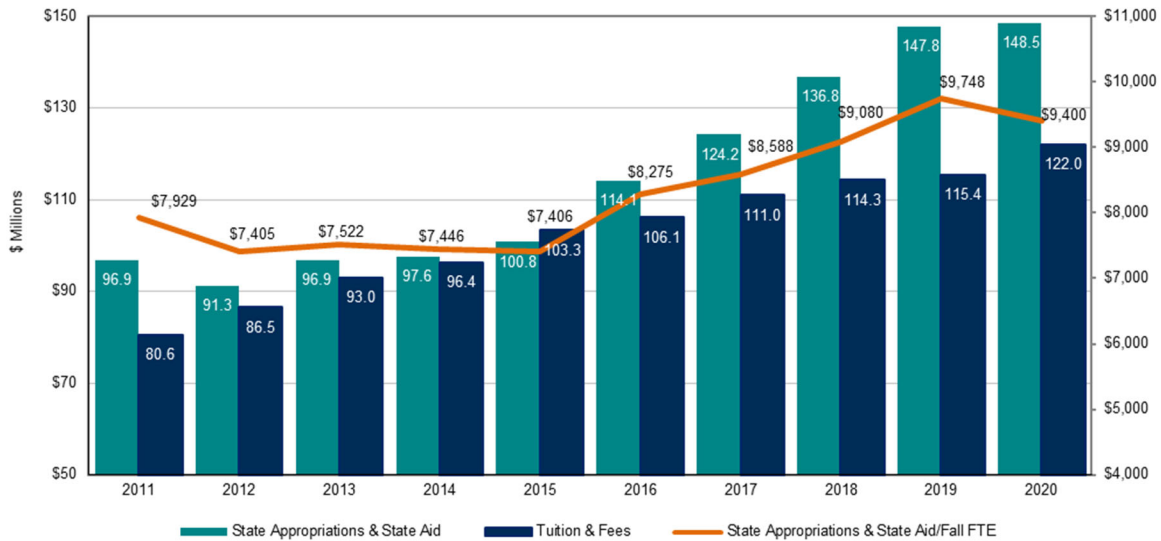
UNCW requested \$20.0 million from the Capital improvements-Project Reserve Fund for the balance of funding for the Randall Library renovation and expansion which was also not approved. However, the University did receive an additional capital contribution of \$8.0 million for the restoration of Dobo Hall, damaged by Hurricane Florence.

UNCW did not increase undergraduate or graduate tuition for fiscal year 2020, but did increase mandatory and general fees by 3.4%.



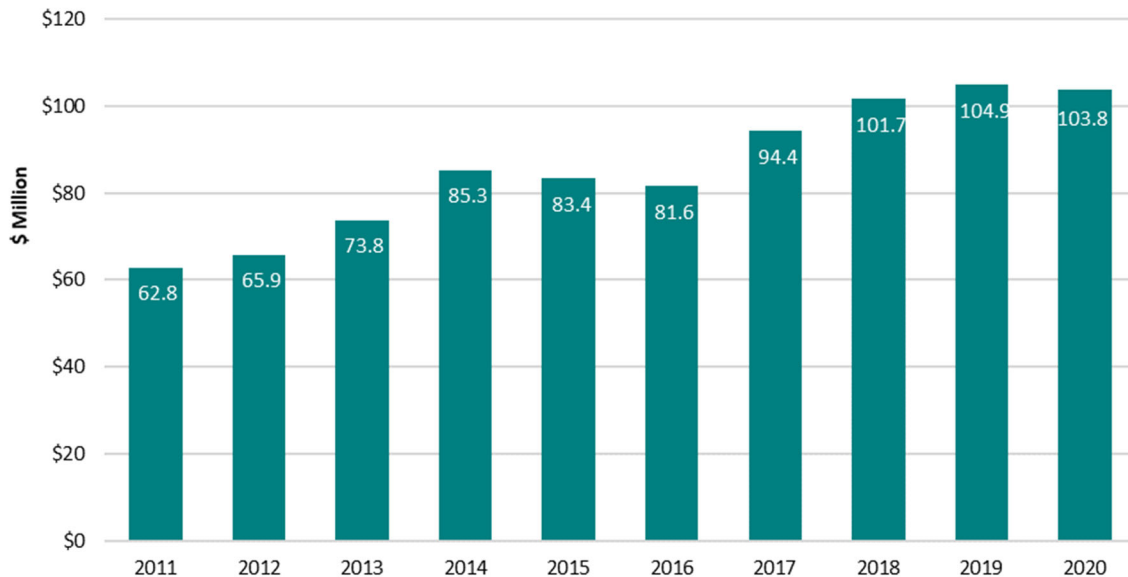
UNCW's fall 2019 full-time equivalent (FTE) of 15,801 was an increase of 4.2% over fall 2018. UNCW has experienced steady growth with a continuing focus on quality as demonstrated by an average incoming Scholastic Assessment Test score of 1246 for fall 2019.

### State Appropriations & State Aid, Tuition & Fees and State Appropriations & State Aid per Fall FTE 2011-2020



Continued enrollment growth combined with a minimal increase in state appropriations led to state aid per fall student FTE decreasing to \$9,400 in fall 2020. Despite flat tuition rates, tuition and fee revenue increased 5.7% in fiscal year 2020 due to the growth in enrollment of 4.2% and an increase in mandatory and general fees of 3.4%.

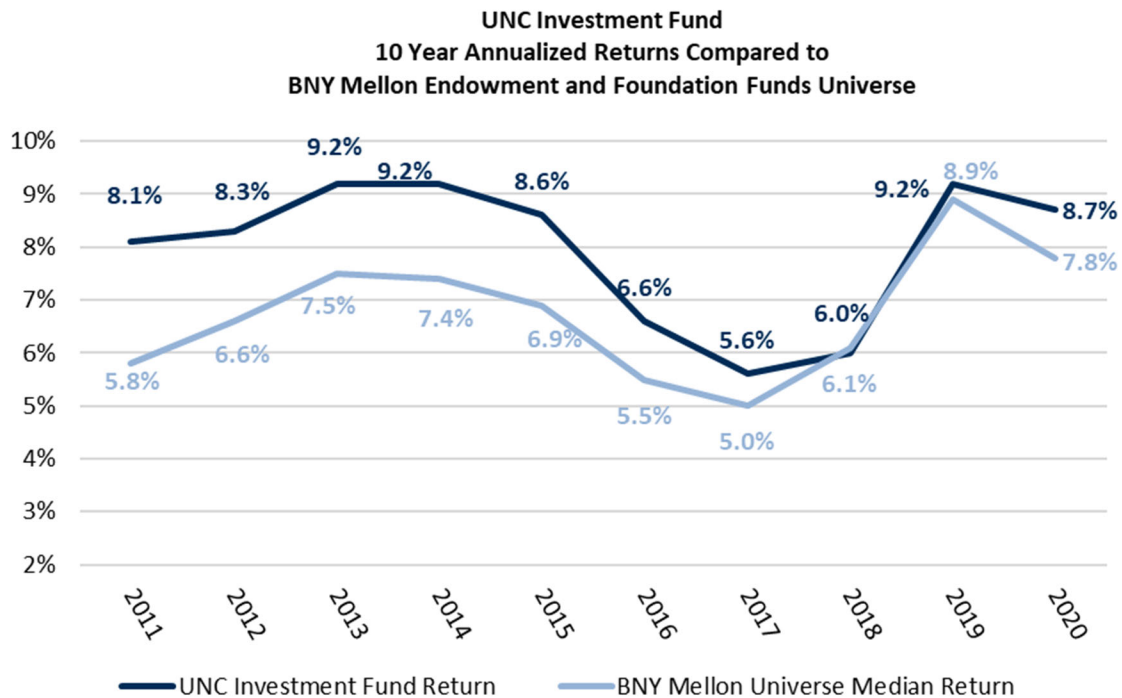
### Endowment Net Position 2011-2020



Total endowment net position was valued at \$103.8 million as of June 30, 2020, which represents a decrease of 1.1% from the prior fiscal year. New gifts of \$2.5 million and net investment returns of \$2.3 million allowed for annual spending and fee distributions of \$4.8 million and other withdrawals of \$1.1 million.

Fiscal year 2020 was a challenging year for institutional portfolios amid record setting volatility. For the 12-month period ending June 30, 2020, the Endowment earned 2.3%, lagging the 4.6% return on the Global 70/30 portfolio. Relative to our

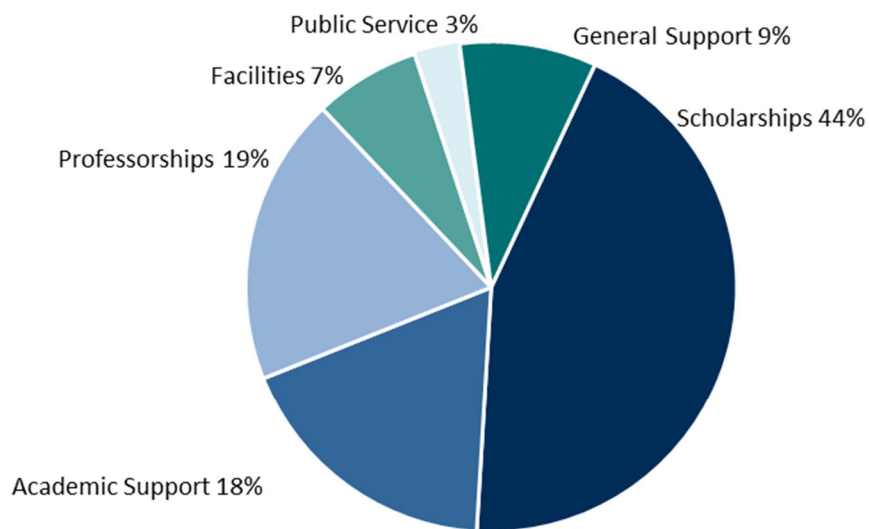
peers, the Endowment's return was slightly ahead of the 2.2% median return of the BNY Mellon Endowment & Foundation Fund Universe. Despite the impact from the coronavirus pandemic seen in fiscal year 2020 returns, the Endowment's long-term performance continues to allow us to meet University funding obligations to scholarships and academic programs.



The UNC Investment Fund's ten-year annualized return of 8.7% as of June 30, 2020 easily exceeds our benchmark 4.5% spending rate, adjusted for inflation, and the Global 70/30, which returned 7.8%.



**2020 Donor Funded Endowment  
Income Distribution**



Consistent with prior years, the Endowment primarily supported student scholarships (44%), professorships (19%) and academic programs (18%).

**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. This statement provides a fiscal snapshot of the University's financial position as of June 30, 2020. This statement includes information on assets available for continuing operations and amounts due to vendors, investors, and lending institutions.

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

|   | <b>2020</b>           | <b>2019<br/>(as Restated)</b> | <b>Change</b>        | <b>%<br/>Change</b> |
|---|-----------------------|-------------------------------|----------------------|---------------------|
| <b>Assets</b>                               |                       |                               |                      |                     |
| Current Assets                              | \$ 181,509,686        | \$ 193,214,662                | \$ (11,704,976)      | -6.1%               |
| Capital Assets, Net                         | 639,533,672           | 555,728,829                   | 83,804,843           | 15.1%               |
| Other Noncurrent Assets                     | 136,710,121           | 166,851,873                   | (30,141,752)         | -18.1%              |
| <b>Total Assets</b>                         | <b>957,753,479</b>    | <b>915,795,364</b>            | <b>41,958,115</b>    | <b>4.6%</b>         |
| <b>Deferred Outflows of Resources</b>       |                       |                               |                      |                     |
| Deferred Loss on Refunding                  | 6,507,217             | 7,192,604                     | (685,387)            | -9.5%               |
| Deferred Outflows Related to Pensions       | 20,807,463            | 24,136,267                    | (3,328,804)          | -13.8%              |
| Deferred Outflows Related to OPEB           | 62,767,942            | 25,752,058                    | 37,015,884           | 143.7%              |
| <b>Total Deferred Outflows of Resources</b> | <b>90,082,622</b>     | <b>57,080,929</b>             | <b>33,001,693</b>    | <b>57.8%</b>        |
| <b>Liabilities</b>                          |                       |                               |                      |                     |
| Current Liabilities                         | 35,740,197            | 39,678,407                    | (3,938,210)          | -9.9%               |
| Long-Term Liabilities, Net                  | 543,895,807           | 485,264,759                   | 58,631,048           | 12.1%               |
| Other Noncurrent Liabilities                | 10,192,856            | 10,638,849                    | (445,993)            | -4.2%               |
| <b>Total Liabilities</b>                    | <b>589,828,860</b>    | <b>535,582,015</b>            | <b>54,246,845</b>    | <b>10.1%</b>        |
| <b>Deferred Inflows of Resources</b>        |                       |                               |                      |                     |
| Deferred Gain on Refunding                  | 1,396,270             | 469,449                       | 926,821              | 197.4%              |
| Deferred Inflows Related to Pensions        | 87,451                | 391,139                       | (303,688)            | -77.6%              |
| Deferred Inflows Related to OPEB            | 108,017,930           | 128,732,022                   | (20,714,092)         | -16.1%              |
| <b>Total Deferred Inflows of Resources</b>  | <b>109,501,651</b>    | <b>129,592,610</b>            | <b>(20,090,959)</b>  | <b>-15.5%</b>       |
| <b>Net Position</b>                         |                       |                               |                      |                     |
| Net Investment in Capital Assets            | 406,245,302           | 332,554,045                   | 73,691,257           | 22.2%               |
| Restricted - Nonexpendable                  | 64,944,542            | 63,247,362                    | 1,697,180            | 2.7%                |
| Restricted - Expendable                     | 104,005,159           | 123,466,571                   | (19,461,412)         | -15.8%              |
| Unrestricted                                | (226,689,413)         | (211,566,310)                 | (15,123,103)         | -7.1%               |
| <b>Total Net Position</b>                   | <b>\$ 348,505,590</b> | <b>\$ 307,701,668</b>         | <b>\$ 40,803,922</b> | <b>13.3%</b>        |

On June 30, 2020, total University assets were \$957.8 million. The largest asset categories were the University's cash and cash equivalents of \$169.4 million, endowment investments of \$95.0 million, and net capital assets of \$639.5 million.

**Assets**

The primary driver in the \$11.7 million decrease in current assets was a decrease of \$17.1 million in current cash and cash equivalents primarily due to a decrease of \$2.1 million in cash carryforward and an increase of cash expenditures for salaries and benefits of \$6.2 million and scholarships and fellowships of \$8.4 million as discussed below in the operating expenses section. This cash decrease was partially offset by the \$7.9 million increase in the NC Department of Insurance receivable recorded as due from primary government at year end related to additional Hurricane Florence insurance recoveries.

Capital assets, net increased \$83.8 million during fiscal year 2020. This was largely due to the completion of Veterans Hall (\$27.5 million) and the Central Parking Deck (\$18.4 million) as well as ongoing renovations in Dobo Hall (\$39.6 million).

Other noncurrent assets decreased by \$30.1 million due primarily to an \$18.3 million decrease in the NC Department of Insurance restricted receivable. The insurance proceeds were expended during FY20 on renovations to Dobo Hall. In addition, noncurrent restricted pooled cash decreased \$9.9 million also due to the completion of the capital projects mentioned above. Finally, restricted investments decreased \$2.9 million due to market performance during fiscal year 2020.

### **Deferred Outflows of Resources**

For fiscal year 2020, total deferred outflows of resources increased \$33.0 million. Deferred outflows 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 outflows for pensions decreased \$3.3 million due mainly to changes in assumptions and the difference between projected and actual investment earnings. Deferred outflows related to other postemployment benefits increased by \$37.0 million based on changes in assumptions and the increase in the University's proportionate share of the total liability.

### **Liabilities**

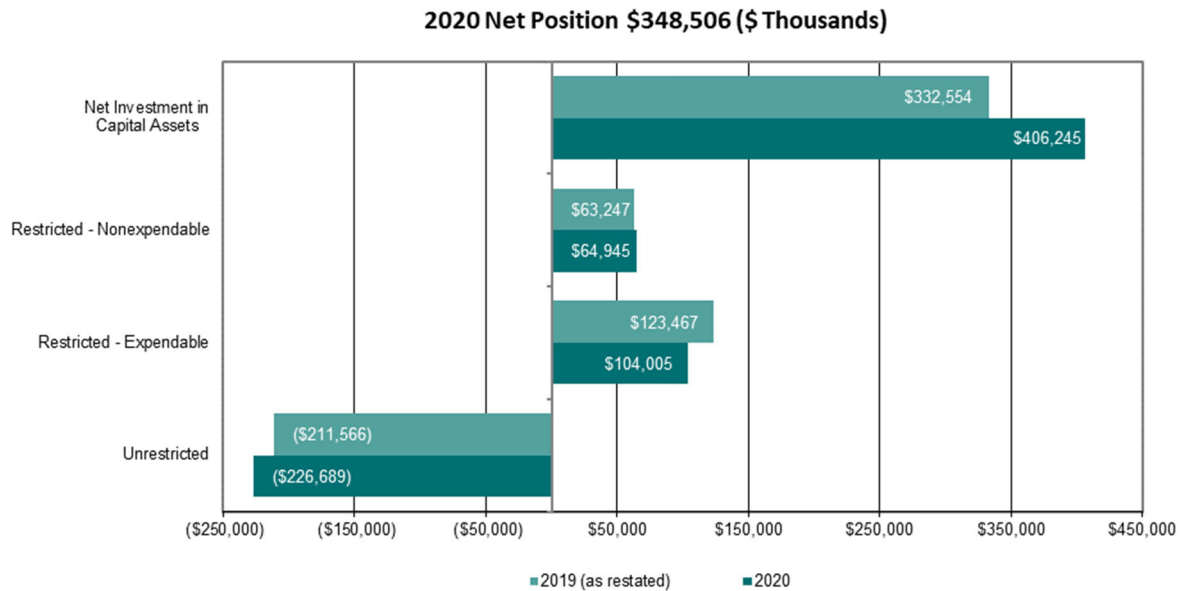
The \$3.9 million decrease in current liabilities was due primarily to a decrease in accounts payable offset by increases in unearned revenue and the current portion of long-term debt. Accounts payable related to the Veterans Hall and Dobo Hall construction and renovation projects decreased \$3.1 million and \$5.9 million, respectively. Unearned revenues increased as a result of an increase in Summer II enrollment tuition (\$1.4 million) and COVID-19 Emergency Relief Funds (\$906 thousand) received but not earned during fiscal year 2020. The current portion of long-term liabilities increased \$2.8 million primarily due to the increase in the current portion of the limited obligation bonds.

Long-term liabilities increased \$58.6 million mainly due to an increase of \$52.5 million related to net pension (\$4.9 million) and other postemployment benefit (\$47.6 million) 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. In addition, long-term debt increased \$5.6 million as a result of new debt issued for the South Dining Hall - Series 2019B in addition to the net change in refunded debt 2019B, 2020A, and 2020B.

### **Deferred Inflows of Resources**

Total deferred inflows of resources decreased \$20.1 million during fiscal year 2020. 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 related to other postemployment benefits decreased \$20.7 million due primarily to changes in assumptions of \$13.8 million and a \$5.6 million change in proportion.

## Net Position



The \$73.7 million increase in net investment in capital assets was due primarily to the completion of Veterans Hall, the Central Parking Deck, and other capital projects as well as the continued renovations of Dobo Hall during the year of \$83.8 million and was offset by the increase in related debt of \$10.1 million.

Restricted expendable net position decreased \$19.5 million largely due to renovations of Dobo Hall and other expenses related to Hurricane Florence damage. See Note 18 for further information.

Unrestricted net position decreased \$15.1 million primarily due to the decrease in pooled cash as discussed above in current assets.

## 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.

Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided; examples include state appropriations, noncapital grants and gifts, 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  
For Year Ended June 30, as Indicated**

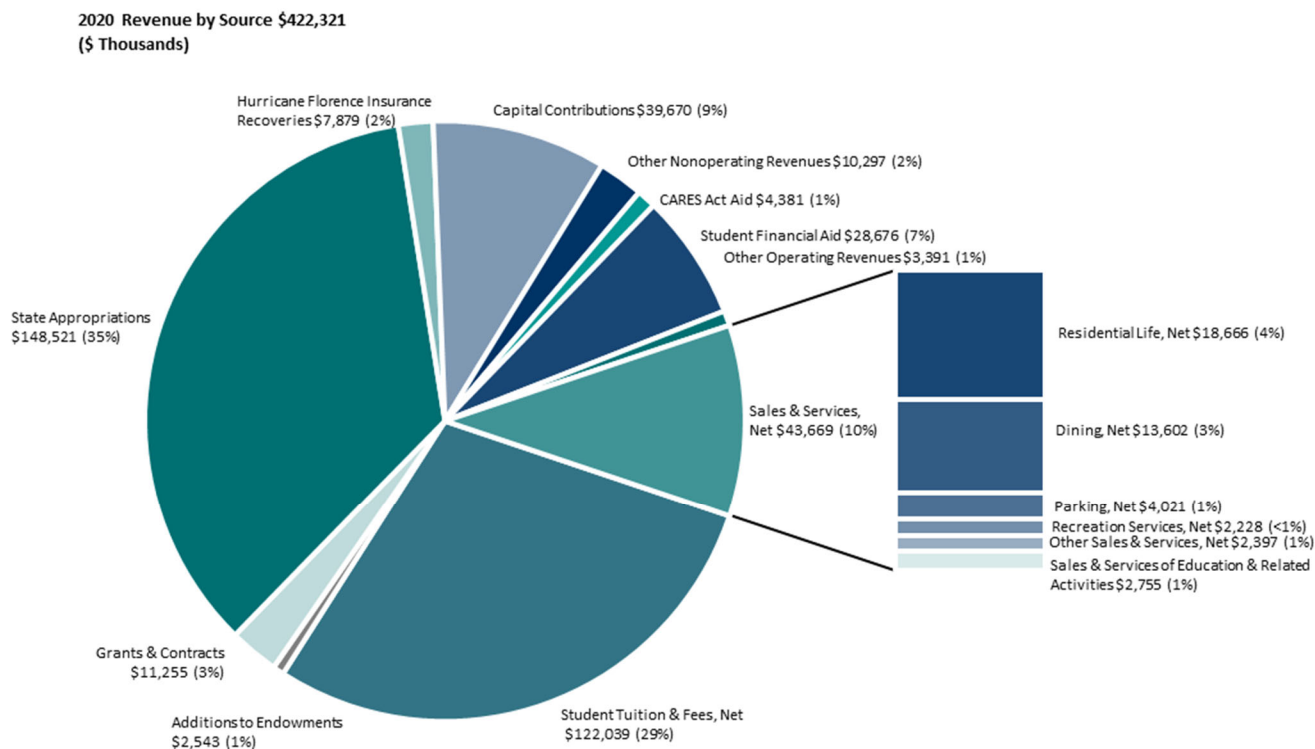
|   | 2020                  | 2019<br>(as Restated) | Change                 | %<br>Change   |
|---|-----------------------|-----------------------|------------------------|---------------|
| <b>Operating Revenues</b>                               |                       |                       |                        |               |
| Student Tuition and Fees, Net                           | \$ 122,039,460        | \$ 115,422,104        | \$ 6,617,356           | 5.7%          |
| Sales and Services, Net                                 | 43,668,723            | 46,621,551            | (2,952,828)            | -6.3%         |
| Grants and Contracts                                    | 11,254,589            | 11,932,761            | (678,172)              | -5.7%         |
| Other Operating Revenues                                | 3,391,452             | 3,045,311             | 346,141                | 11.4%         |
| <b>Total Operating Revenues</b>                         | <b>180,354,224</b>    | <b>177,021,727</b>    | <b>3,332,497</b>       | <b>1.9%</b>   |
| <b>Operating Expenses</b>                               |                       |                       |                        |               |
| Salaries and Benefits                                   | 214,906,118           | 198,401,012           | 16,505,106             | 8.3%          |
| Supplies and Services                                   | 80,729,975            | 81,944,021            | (1,214,046)            | -1.5%         |
| Capital Asset Impairment Loss, Net                      |                       | 221,231               | (221,231)              | -100.0%       |
| Scholarships and Fellowships                            | 32,152,476            | 23,778,223            | 8,374,253              | 35.2%         |
| Utilities   | 7,221,660             | 7,685,078             | (463,418)              | -6.0%         |
| Depreciation  | 15,500,957            | 13,618,326            | 1,882,631              | 13.8%         |
| <b>Total Operating Expenses</b>                         | <b>350,511,186</b>    | <b>325,647,891</b>    | <b>24,863,295</b>      | <b>7.6%</b>   |
| <b>Operating Loss</b>                                   | <b>(170,156,962)</b>  | <b>(148,626,164)</b>  | <b>(21,530,798)</b>    | <b>14.5%</b>  |
| <b>Nonoperating Revenues (Expenses)</b>                 |                       |                       |                        |               |
| State Appropriations                                    | 148,520,674           | 147,823,501           | 697,173                | 0.5%          |
| State Aid - Coronavirus Relief Fund                     | 4,597                 | -                     | 4,597                  | 100.0%        |
| Student Financial Aid and Noncapital Contributions, Net | 33,273,829            | 40,734,684            | (7,460,855)            | -18.3%        |
| Federal Aid - COVID-19                                  | 4,376,550             | -                     | 4,376,550              | 100.0%        |
| Investment Income, Net                                  | 5,354,963             | 9,383,245             | (4,028,282)            | -42.9%        |
| Interest and Fees on Debt                               | (8,267,256)           | (8,585,139)           | (317,883)              | -3.7%         |
| Insurance Recoveries on Capital Asset Impairment, Net   |                       | 22,188,102            | (22,188,102)           | -100.0%       |
| Other Hurricane Losses                                  | (22,218,079)          | (57,678,611)          | (35,460,532)           | -61.5%        |
| Hurricane Florence Insurance Recoveries                 | 7,879,333             | 31,226,266            | (23,346,933)           | -74.8%        |
| Federal Interest Subsidy on Debt                        | 344,151               | 687,987               | (343,836)              | -50.0%        |
| Other Nonoperating Expenses                             | (520,422)             | (321,629)             | 198,793                | 61.8%         |
| <b>Other Revenues</b>                                   |                       |                       |                        |               |
| Capital Appropriations                                  |                       | 6,339,523             | (6,339,523)            | -100.0%       |
| Capital Contributions                                   | 39,669,358            | 55,463,234            | (15,793,876)           | -28.5%        |
| Additions to Endowments                                 | 2,543,186             | 3,753,063             | (1,209,877)            | -32.2%        |
| <b>Total Net Nonoperating and Other Revenues</b>        | <b>210,960,884</b>    | <b>251,014,226</b>    | <b>(40,053,342)</b>    | <b>-16.0%</b> |
| <b>Increase in Net Position</b>                         | <b>40,803,922</b>     | <b>102,388,062</b>    | <b>(61,584,140)</b>    | <b>-60.1%</b> |
| <b>Net Position - Beginning of Year</b>                 | <b>307,701,668</b>    | <b>205,313,606</b>    | <b>102,388,062</b>     | <b>49.9%</b>  |
| <b>Net Position - End of Year</b>                       | <b>\$ 348,505,590</b> | <b>\$ 307,701,668</b> | <b>\$ 40,803,922</b>   | <b>13.3%</b>  |
| <b>Reconciliation of Change in Net Position</b>         |                       |                       |                        |               |
| Total Revenues  | \$ 422,320,865        | \$ 494,621,332        | \$ (72,300,467)        | -14.6%        |
| Less: Total Expenses                                    | 381,516,943           | 392,233,270           | (10,716,327)           | -2.7%         |
| <b>Increase in Net Position</b>                         | <b>\$ 40,803,922</b>  | <b>\$ 102,388,062</b> | <b>\$ (61,584,140)</b> | <b>-60.1%</b> |

Overall, net position increased \$40.8 million during the year ended June 30, 2020 which was a decrease of \$61.6 million when compared with the fiscal year 2019 overall increase of \$102.4 million. This was due to the comparative decrease in net nonoperating revenues and other revenues of \$40.1 million and the increases in total operating revenues and operating expenses of \$3.3 million and \$24.9 million, respectively.

## Operating Revenues

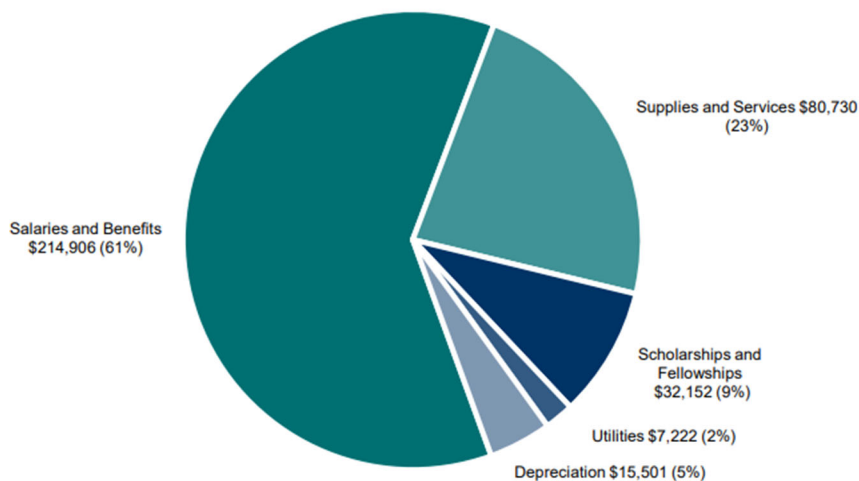
Student tuition and fees increased \$6.6 million due to an increase in enrollment for undergraduate and graduate students during fiscal year 2020.

Sales and services, net revenue decreased by \$3.0 million due to the impact of COVID-19 refunds on housing and dining plans (\$8.2 million) during fiscal year 2020. Sales and services, net revenue adjusted for the impact of COVID-19 refunds increased by \$5.2 million. This increase was driven by enrollment growth (\$1.8 million) and the fact that fiscal year 2019 was down \$3.4 million compared to fiscal year 2018 due mostly to housing and dining refunds related to Hurricane Florence.



## Operating Expenses

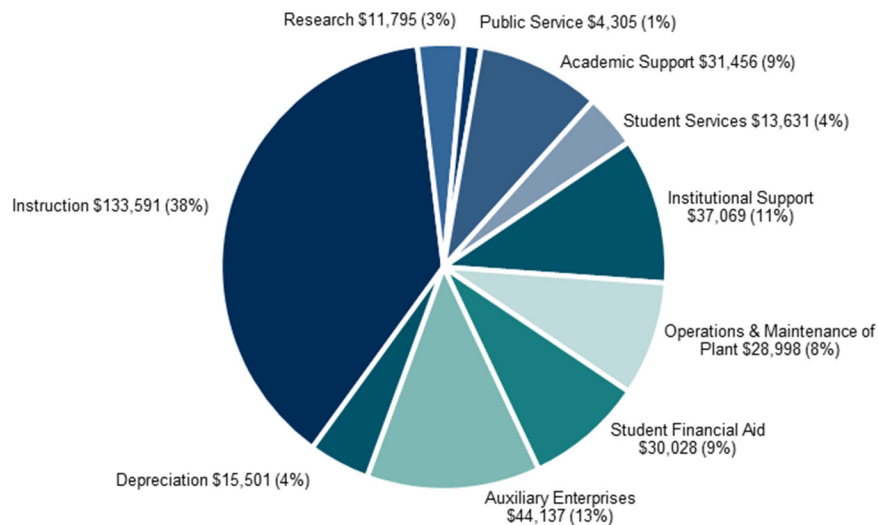
**2020 Operating Expense by Nature \$350,511**  
(\$ Thousands)



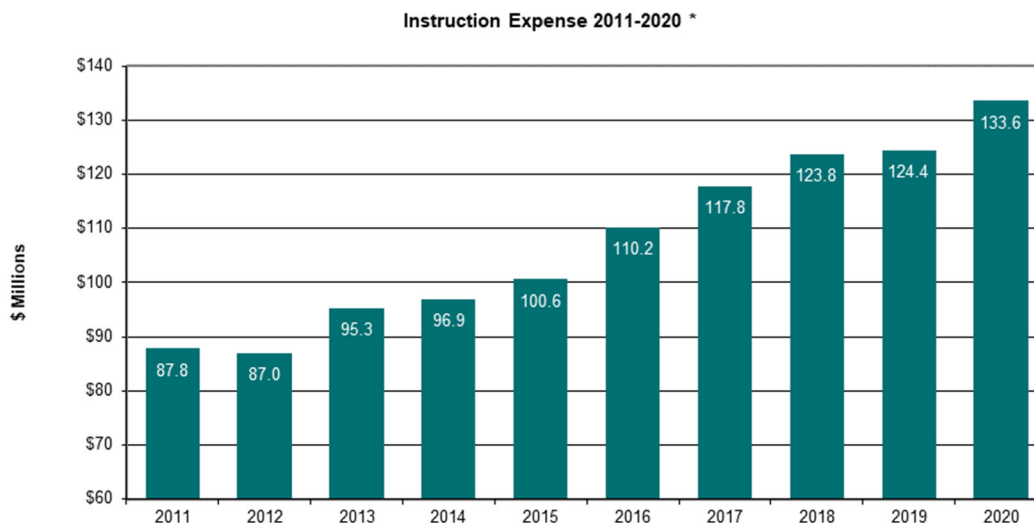
Salaries and benefits, the University's largest expense, increased by \$16.5 million for fiscal year 2020. This increase was mostly due to noncash pension expense and OPEB expense increases of \$7.6 million and \$4.8 million, respectively. The remaining \$4.1 million increase is attributed to an increase in the number of University employees of 58 to support the University's continued growth.

Scholarships and fellowships increased 35.2% or \$8.4 million in fiscal year 2020 largely due to \$4.4 million of federal CARES Act funding allocated to students with the remaining \$4.0 million from increases in various other scholarships and fellowships.

**2020 Operating Expense by Function \$350,511**  
(\$ Thousands)



Instruction expense of \$133.6 million remains the largest expense by function as it grew by \$9.2 million. The largest component of instruction expense, salaries and benefits, increased \$6.4 million due to pension expense and OPEB expense increases totaling \$5.4 million. The additional increase of \$1.0 million was a result of 7 new faculty members to support the growth in student enrollment and the expanded degree programs available to undergraduate and graduate students.



\*Instruction expense in fiscal years 2015 through 2020 includes the accounting change for GASB 68 for TSERS pension plan. Fiscal years 2018 through 2020 also include the accounting change for GASB 75 for OPEB.

### **Nonoperating Revenues and Expenses**

Student financial aid and noncapital contributions decreased \$7.5 million in fiscal year 2020 primarily due to the fact that UNCW received its largest ever, one-time gift of \$10.0 million in 2019, of which \$8.0 million was recorded as noncapital gift revenue.

The University recorded federal aid in the amount of \$4.4 million for Higher Education Emergency Relief Funds (HEERF) during fiscal year 2020 as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into law on March 27, 2020. See Note 19 for additional information regarding the CARES Act impact on the University's financial statements.

Investment income decreased 42.9% or \$4.0 million in fiscal year 2020 due to a significant downturn in market performance.

Due to damage sustained during Hurricane Florence in fiscal year 2019, UNCW reported \$26.5 million of other hurricane losses net of insurance recoveries and \$22.2 million of insurance recoveries on capital impairment, net. In fiscal year 2020, UNCW reported gross, other hurricane losses and insurance recoveries, of \$22.2 million and \$7.9 million, respectively. As a result, net Hurricane Florence related nonoperating revenues decreased \$10.1 million in fiscal year 2020. Financial activity related to Hurricane Florence will continue in future fiscal years and will include additional expenditures as well as additional reimbursements from the North Carolina Department of Insurance (DOI) and the Federal Emergency Management Agency (FEMA). See Note 18 for additional information related to Hurricane Florence's impact on the University.



## Other Revenues

As mentioned in the financial highlights section of the MD&A, the University operated on a base budget for fiscal year 2020 and no capital appropriations were approved by the state resulting in a \$6.3 million decrease when compared with fiscal year 2019.

Capital contributions revenue decreased \$15.8 million due primarily to UNCW having received \$8.0 million of Hurricane Florence Disaster Relief funding compared with \$27.2 million in fiscal year 2019.

## Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. The Statement of Cash Flows also helps users assess the University's:

- Ability to generate future net cash flows;
- Ability to meet its obligations as they come due;
- Need for external financing.

### Condensed Statement of Cash Flows For Year Ended June 30, as Indicated

|                                 | 2020                  | 2019<br>(as Restated) | Change                 | %<br>Change |
|---------------------------------|-----------------------|-----------------------|------------------------|-------------|
| <b>Cash Provided (Used) by:</b> |                       |                       |                        |             |
| Operating Activities            | \$ (164,939,670)      | \$ (145,122,972)      | \$ (19,816,698)        | 13.7%       |
| Noncapital Financing Activities | 190,773,470           | 153,128,185           | 37,645,285             | 24.6%       |
| Capital Financing Activities    | (61,658,436)          | 16,798,013            | (78,456,449)           | -467.1%     |
| Investing Activities            | 6,562,348             | 5,432,593             | 1,129,755              | 20.8%       |
| <b>Net Change In Cash</b>       | (29,262,288)          | 30,235,819            | (59,498,107)           | -196.8%     |
| <b>Cash Beginning of Year</b>   | 198,640,135           | 168,404,316           | 30,235,819             | 18.0%       |
| <b>Cash Ending of Year</b>      | <u>\$ 169,377,847</u> | <u>\$ 198,640,135</u> | <u>\$ (29,262,288)</u> | -14.7%      |

### Operating Activities

Major cash sources of \$182.3 million were generated from student tuition and fees, sales and services, and contracts and grants. Major cash uses were compensation to employees of \$216.5 million, payments to vendors and suppliers for goods and services of \$99.3 million, and disbursements to students for scholarships and fellowships of \$32.2 million. Payments to employees and fringe benefits increased \$6.2 million largely due to increased staffing to support increased enrollment and additional degree programs. The \$8.4 million increase in payments for scholarships and fellowships was directly attributed to \$4.4 million in federal aid issued to students as part of the HEERF grant.

### Noncapital Financial Activities

The largest cash inflow was state appropriations of \$148.5 million. While GASB standards require that this revenue be classified as nonoperating, these funds were essentially used to maintain operations. Hurricane Florence related payments to vendors and suppliers decreased \$24.7 million and were only partially offset by the change of \$1.1 million all-risk insurance proceeds received in fiscal year 2020. Other noncapital inflows included CARES Act funds of \$5.3 million.

### Capital Financing Activities

Cash provided included \$22.6 million in proceeds from capital debt for the issuance of new debt for the construction of a second dining hall on campus and debt refunding of existing debt. Additional cash provided included capital contributions of \$38.6 million with \$8.0 million directly related to a state capital grant for Hurricane Florence Disaster Relief. Cash used was primarily for the acquisition of capital assets of \$99.3 million which included payments for the completion of Veterans Hall and the Central Parking Deck. Cash used also included the repayment of principal and interest on capital debt of \$24.2 million.

### Investing Activities

Cash provided included sales and maturities of investments of \$5.4 million and investment income of \$3.8 million. Cash used reflected the purchase of investments and related fees of \$2.6 million.

## **Capital Assets and Debt Administration**

### **Capital Assets**

The University had \$639.5 million invested in capital assets at June 30, 2020, as reported in the table below, an increase of \$83.8 million from 2019.

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

|                                | <b>2020</b>           | <b>2019<br/>(as Restated)</b> | <b>Change</b>        |
|--------------------------------|-----------------------|-------------------------------|----------------------|
| Land and Permanent Easements   | \$ 10,491,557         | \$ 9,808,502                  | \$ 683,055           |
| Art, Literature, and Artifacts | 2,161,967             | 2,155,207                     | 6,760                |
| Construction In Progress       | 57,556,736            | 57,232,466                    | 324,270              |
| Buildings, Net                 | 496,222,134           | 434,521,428                   | 61,700,706           |
| Machinery and Equipment, Net   | 21,261,928            | 21,195,645                    | 66,283               |
| General Infrastructure, Net    | 51,839,350            | 30,815,581                    | 21,023,769           |
| <b>Total Capital Assets</b>    | <b>\$ 639,533,672</b> | <b>\$ 555,728,829</b>         | <b>\$ 83,804,843</b> |

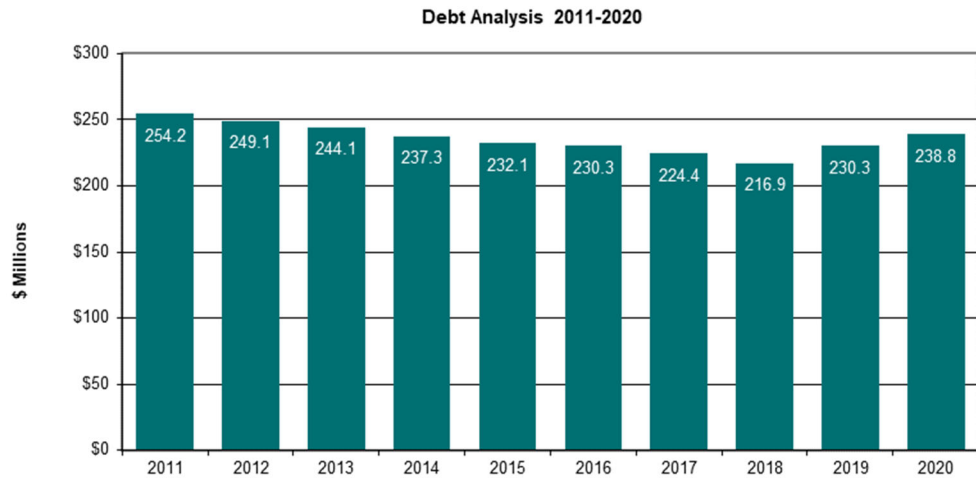
Capital assets were restated to reflect the completion of the Administrative Annex building as of June 30, 2019. Specifically, at June 30, 2019, construction in progress was reduced \$2.5 million and buildings, net was increased \$8.0 million. See Note 23 - Net Position Restatement for the effect of the restatement on beginning net position.

During fiscal year 2020, buildings, net, increased \$61.7 million due to the completion of Veterans Hall (\$64.0 million) and other building additions (\$7.5 million) less additional depreciation of \$9.8 million.

The increase in general infrastructure, net, was due primarily to the completion of the Central Parking Deck (\$21.0 million) located in the center of the University campus.

### **Debt**

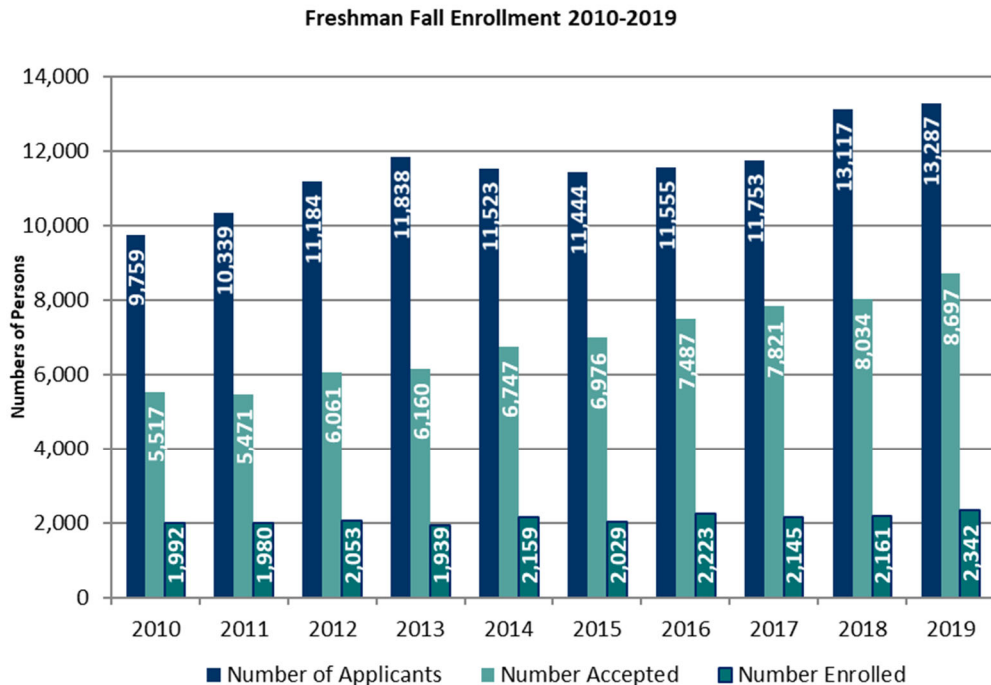
As of June 30, 2020, the University's \$238.8 million in long-term debt included outstanding revenue bonds payable, limited obligation bonds, and bonds from direct placements of \$227.0 million, notes from direct borrowings of \$10.5 million, and capital leases payable of \$1.3 million.



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

### Economic Forecast

UNCW is committed to the continued success of the University and its students while navigating the challenges created by the COVID-19 pandemic. In fall 2019, the number of freshman applications climbed to 13,287, leading to a rise in freshmen enrollment to 2,342. Graduate enrollment increased by 419 students in fall 2019 to 2,714 students. Despite the pandemic, preliminary data shows fall 2020 freshman applications reaching 13,633, an increase of 2.6%. Preliminary data for fall 2020 also shows graduate enrollment increasing 20.3% to 3,265.



For fiscal year 2021, the UNC System requested \$29.4 million to fully fund enrollment growth. UNCW is the fastest growing University in the system and accordingly requested an enrollment growth allocation of \$9.8 million for fiscal year 2021. To further support growth and innovation at the University, UNCW requested an additional building reserve allocation of \$2.8 million related to Veterans Hall. Additionally, UNCW requested repair and renovation funding of \$2.0 million to address a backlog of repair and renovation needs.

The UNC System is operating with a fixed tuition program for undergraduate resident students, which began with the fall 2016 freshman class. Tuition for resident students remains fixed for four years. Each year, the incoming freshman resident cohort will have a fixed tuition rate. UNCW did not increase undergraduate or graduate tuition for fiscal year 2021. Mandatory and general fees also remained fixed for fiscal year 2021. UNCW has not increased tuition for its undergraduate students since fiscal year 2018 and its graduate students since fiscal year 2019.

UNCW recognizes that there will be a financial impact on fiscal year 2021 due to COVID-19. The University leadership is pursuing actions to mitigate the financial impact caused by the pandemic by limiting purchases of goods and services, eliminating non-essential travel, and limiting certain HR actions. However, UNCW's primary focus is the safety and health of students, faculty, and staff as we continue to develop strategies to respond to the virus.

Excellence, integrity, diversity and innovation shape the student-centered learning experience at UNCW. These values, along with our ever-present dedication to community engagement, are among the distinctive qualities that make UNCW one of the best institutions of higher education in the nation. The University was elevated to the category of Doctoral Universities: High Research Activity in the Carnegie Classification of Institutions of Higher Education in fiscal year 2019. To support ongoing research at the University, UNCW added additional degree programs, including a degree in coastal engineering during fiscal year 2020. Looking forward, the University intends to offer additional degree programs that support innovation and advance technology to improve lives in our region, the state and beyond.

#### **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 access the Controller's Office web page at [http://www.uncw.edu/controller/financial\\_reports.html](http://www.uncw.edu/controller/financial_reports.html).



# Statement of Net Position

June 30, 2020

## ASSETS

### Current Assets:

|                                      |                |
|--------------------------------------|----------------|
| Cash and Cash Equivalents            | \$ 113,379,305 |
| Restricted Cash and Cash Equivalents | 37,274,783     |
| Receivables, Net (Note 5)            | 10,371,191     |
| Due from Primary Government          | 19,704,638     |
| Inventories                          | 394,921        |
| Prepaid Items                        | 77,455         |
| Notes Receivable, Net (Note 5)       | 307,393        |

|                      |                    |
|----------------------|--------------------|
| Total Current Assets | <u>181,509,686</u> |
|----------------------|--------------------|

### Noncurrent Assets:

|  |             |
|--|-------------|
| Restricted Cash and Cash Equivalents       | 18,723,759  |
| Receivables, Net (Note 5)                  | 5,402,070   |
| Restricted Due from Primary Government     | 14,576,548  |
| Endowment Investments                      | 94,953,987  |
| Notes Receivable, Net (Note 5)             | 2,693,606   |
| Net Other Postemployment Benefits Asset    | 360,151     |
| Capital Assets - Nondepreciable (Note 6)   | 70,210,260  |
| Capital Assets - Depreciable, Net (Note 6) | 569,323,412 |

|                         |                    |
|-------------------------|--------------------|
| Total Noncurrent Assets | <u>776,243,793</u> |
|-------------------------|--------------------|

|              |                    |
|--------------|--------------------|
| Total Assets | <u>957,753,479</u> |
|--------------|--------------------|

## DEFERRED OUTFLOWS OF RESOURCES

|  |            |
|--|------------|
| Deferred Loss on Refunding   | 6,507,217  |
| Deferred Outflows Related to Pensions (Note 14)                      | 20,807,463 |
| Deferred Outflows Related to Other Postemployment Benefits (Note 15) | 62,767,942 |

|                                      |                   |
|--------------------------------------|-------------------|
| Total Deferred Outflows of Resources | <u>90,082,622</u> |
|--------------------------------------|-------------------|

## LIABILITIES

### Current Liabilities:

|   |            |
|---|------------|
| Accounts Payable and Accrued Liabilities (Note 8) | 11,886,682 |
| Deposits Payable                                  | 60,361     |
| Unearned Revenue                                  | 11,273,217 |
| Interest Payable                                  | 1,265,092  |
| Long-Term Liabilities - Current Portion (Note 9)  | 11,254,845 |

|                           |                   |
|---------------------------|-------------------|
| Total Current Liabilities | <u>35,740,197</u> |
|---------------------------|-------------------|

### Noncurrent Liabilities:

|                                     |             |
|-------------------------------------|-------------|
| Accounts Payable (Note 8)           | 225,000     |
| Funds Held for Others               | 4,076,727   |
| Unearned Revenue                    | 3,489,916   |
| U.S. Government Grants Refundable   | 2,401,213   |
| Long-Term Liabilities, Net (Note 9) | 543,895,807 |

|                              |                    |
|------------------------------|--------------------|
| Total Noncurrent Liabilities | <u>554,088,663</u> |
|------------------------------|--------------------|

|                   |                    |
|-------------------|--------------------|
| Total Liabilities | <u>589,828,860</u> |
|-------------------|--------------------|

# Statement of Net Position

June 30, 2020

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## DEFERRED INFLOWS OF RESOURCES

|   |                    |
|---|--------------------|
| Deferred Gain on Refunding  | 1,396,270          |
| Deferred Inflows Related to Pensions (Note 14)                      | 87,451             |
| Deferred Inflows Related to Other Postemployment Benefits (Note 15) | <u>108,017,930</u> |

|                                     |                    |
|-------------------------------------|--------------------|
| Total Deferred Inflows of Resources | <u>109,501,651</u> |
|-------------------------------------|--------------------|

## NET POSITION

|                                  |             |
|----------------------------------|-------------|
| Net Investment in Capital Assets | 406,245,302 |
|----------------------------------|-------------|

### Restricted:

#### Nonexpendable

|                         |            |
|-------------------------|------------|
| True Endowments         | 64,276,267 |
| Student Loans and Other | 668,275    |

#### Expendable

|  |            |
|--|------------|
| Scholarships, Research, Instruction, and Other | 51,579,836 |
| Student Loans                                  | 778,559    |
| Capital Projects                               | 50,439,375 |
| Debt Service                                   | 1,207,389  |

|              |                      |
|--------------|----------------------|
| Unrestricted | <u>(226,689,413)</u> |
|--------------|----------------------|

|                    |                       |
|--------------------|-----------------------|
| Total Net Position | <u>\$ 348,505,590</u> |
|--------------------|-----------------------|

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

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

For the Fiscal Year Ended June 30, 2020

---

## OPERATING REVENUES

|   |                    |
|---|--------------------|
| Student Tuition and Fees, Net (Note 12) | \$ 122,039,460     |
| Federal Grants and Contracts            | 6,997,052          |
| State and Local Grants and Contracts    | 3,029,367          |
| Nongovernmental Grants and Contracts    | 1,228,170          |
| Sales and Services, Net (Note 12)       | 43,668,723         |
| Other Operating Revenues                | <u>3,391,452</u>   |
| Total Operating Revenues                | <u>180,354,224</u> |

## OPERATING EXPENSES

|                              |                      |
|------------------------------|----------------------|
| Salaries and Benefits        | 214,906,118          |
| Supplies and Services        | 80,729,975           |
| Scholarships and Fellowships | 32,152,476           |
| Utilities                    | 7,221,660            |
| Depreciation                 | <u>15,500,957</u>    |
| Total Operating Expenses     | <u>350,511,186</u>   |
| Operating Loss               | <u>(170,156,962)</u> |

## NONOPERATING REVENUES (EXPENSES)

|  |                    |
|--|--------------------|
| State Appropriations                                       | 148,520,674        |
| State Aid - Coronavirus Relief Fund (Note 19)              | 4,597              |
| Student Financial Aid                                      | 28,676,145         |
| Federal Aid - COVID-19 (Note 19)                           | 4,376,550          |
| Noncapital Contributions, Net (Note 12)                    | 4,597,684          |
| Investment Income (Net of Investment Expense of \$367,371) | 5,354,963          |
| Interest and Fees on Debt                                  | (8,267,256)        |
| Other Hurricane Losses (Note 18)                           | (22,218,079)       |
| Hurricane Florence Insurance Recoveries (Note 18)          | 7,879,333          |
| Federal Interest Subsidy on Debt                           | 344,151            |
| Other Nonoperating Expenses                                | <u>(520,422)</u>   |
| Net Nonoperating Revenues                                  | <u>168,748,340</u> |
| Loss Before Other Revenues                                 | (1,408,622)        |
| Capital Contributions                                      | 39,669,358         |
| Additions to Endowments                                    | <u>2,543,186</u>   |
| Total Other Revenues                                       | <u>42,212,544</u>  |
| Increase in Net Position                                   | 40,803,922         |

## NET POSITION

|  |                              |
|--|------------------------------|
| Net Position - July 1, 2019, as Restated (Note 23) | <u>307,701,668</u>           |
| Net Position - June 30, 2020                       | <u><u>\$ 348,505,590</u></u> |

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

# Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

## CASH FLOWS FROM OPERATING ACTIVITIES

|   |                |
|---|----------------|
| Received from Customers                   | \$ 182,348,762 |
| Payments to Employees and Fringe Benefits | (216,500,005)  |
| Payments to Vendors and Suppliers         | (99,279,618)   |
| Payments for Scholarships and Fellowships | (32,152,476)   |
| Loans Issued                              | (165,552)      |
| Collection of Loans                       | 762,138        |
| Interest Earned on Loans                  | 47,081         |

|                                       |                      |
|---------------------------------------|----------------------|
| Net Cash Used by Operating Activities | <u>(164,939,670)</u> |
|---------------------------------------|----------------------|

## CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

|  |              |
|--|--------------|
| State Appropriations                                 | 148,520,674  |
| Proceeds from All-Risk Insurance                     | 18,274,694   |
| Hurricane Recovery Payments to Vendors and Suppliers | (27,300,227) |
| State Aid - Coronavirus Relief Fund                  | 4,597        |
| Student Financial Aid                                | 27,936,465   |
| Federal Aid - COVID-19                               | 5,283,027    |
| Noncapital Contributions                             | 15,003,615   |
| Additions to Endowments                              | 2,008,046    |
| William D. Ford Direct Lending Receipts              | 73,440,076   |
| William D. Ford Direct Lending Disbursements         | (73,440,076) |
| Related Activity Agency Receipts                     | 1,042,579    |

|  |                    |
|--|--------------------|
| Net Cash Provided by Noncapital Financing Activities | <u>190,773,470</u> |
|--|--------------------|

## CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

|   |              |
|---|--------------|
| Proceeds from Capital Debt                        | 22,574,358   |
| Capital Contributions                             | 38,557,242   |
| Proceeds from Sale of Capital Assets              | 233,371      |
| Acquisition and Construction of Capital Assets    | (99,285,076) |
| Principal Paid on Capital Debt and Leases         | (14,414,134) |
| Interest and Fees Paid on Capital Debt and Leases | (9,784,176)  |
| Federal Interest Subsidy on Debt Received         | 459,979      |

|   |                     |
|---|---------------------|
| Net Cash Used by Capital Financing and Related Financing Activities | <u>(61,658,436)</u> |
|---|---------------------|

## CASH FLOWS FROM INVESTING ACTIVITIES

|   |                    |
|---|--------------------|
| Proceeds from Sales and Maturities of Investments | 5,351,767          |
| Investment Income                                 | 3,820,088          |
| Purchase of Investments and Related Fees          | <u>(2,609,507)</u> |

|   |                  |
|---|------------------|
| Net Cash Provided by Investing Activities | <u>6,562,348</u> |
|---|------------------|

|   |              |
|---|--------------|
| Net Decrease in Cash and Cash Equivalents | (29,262,288) |
|---|--------------|

|  |                    |
|--|--------------------|
| Cash and Cash Equivalents - July 1, 2019 | <u>198,640,135</u> |
|--|--------------------|

|   |                       |
|---|-----------------------|
| Cash and Cash Equivalents - June 30, 2020 | <u>\$ 169,377,847</u> |
|---|-----------------------|



# Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

---

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

|  |                         |
|--|-------------------------|
| Operating Loss   | \$ (170,156,962)        |
| Adjustments to Reconcile Operating Loss to Net Cash Used<br>by Operating Activities: |                         |
| Depreciation Expense   | 15,500,957              |
| Allowances and Write-Offs  | 161,912                 |
| Other Nonoperating Income (Expenses)   | (753,793)               |
| Changes in Assets and Deferred Outflows of Resources:                                |                         |
| Receivables, Net   | 760,775                 |
| Inventories  | (20,504)                |
| Prepaid Items  | (72,455)                |
| Notes Receivable, Net  | 596,586                 |
| Net Other Postemployment Benefits Asset  | (122,161)               |
| Deferred Outflows Related to Pensions  | 3,328,804               |
| Deferred Outflows Related to Other Postemployment Benefits                           | (37,015,884)            |
| Changes in Liabilities and Deferred Inflows of Resources:                            |                         |
| Accounts Payable and Accrued Liabilities   | (10,017,790)            |
| Unearned Revenue   | 967,377                 |
| Net Pension Liability  | 4,937,135               |
| Net Other Postemployment Benefits Liability  | 47,609,191              |
| Compensated Absences   | 440,612                 |
| Deposits Payable   | 21,322                  |
| Workers' Compensation Liability  | (87,012)                |
| Deferred Inflows Related to Pensions   | (303,688)               |
| Deferred Inflows Related to Other Postemployment Benefits                            | <u>(20,714,092)</u>     |
| Net Cash Used by Operating Activities  | <u>\$ (164,939,670)</u> |

## NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

|   |              |
|---|--------------|
| Assets Acquired through the Assumption of a Liability | \$ 3,024,204 |
| Assets Acquired through a Gift                        | 1,112,116    |
| Change in Fair Value of Investments                   | (165,125)    |
| Reinvested Distributions                              | 70,945       |
| Loss on Disposal of Capital Assets                    | (200,119)    |
| Amortization of Bond Premiums                         | (2,662,671)  |
| Funds Escrowed to Defeasement Debt                    | 55,398,000   |

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

# Notes to the Financial Statements

June 30, 2020

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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 *Comprehensive Annual 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 21.

- 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 GASB.

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

**D. Cash and Cash Equivalents** - This classification includes 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. Prepaid Items** - Prepaid items are comprised of prepayments for study abroad programs taking place in future periods

**I. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The University capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

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

| <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.

- J. 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.
- 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, notes from direct borrowings, and capital leases payable. Other long-term liabilities include: 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 2019 *Comprehensive Annual 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 2019 *Comprehensive Annual Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 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 position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

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

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

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

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

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

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

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



accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

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

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

- Q. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as 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, 2020, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$167,993,122, 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 1.3 years as of June 30, 2020. 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, 2020 was \$20,525. The carrying amount of the University's deposits not with the State Treasurer was \$1,364,200, and the bank balance was \$1,359,387. 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, 2020, the University's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$983,353.

- 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.

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, 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 of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income.

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

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

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

**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 distribute 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, 2020, the University's investments include \$93,498,574, 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, 2020, for the University's non-pooled investments.

| <b>Non-Pooled Investments</b>           |                     |                                  |                   |                   |
|---|---------------------|----------------------------------|-------------------|-------------------|
| Investment Type                         | Amount              | Investment Maturities (in Years) |                   |                   |
|   |                     | Less Than 1                      | 1 to 5            | 6 to 10           |
| Debt Securities                         |                     |                                  |                   |                   |
| Debt Mutual Funds                       | \$ 425,598          | \$ 66,549                        | \$ 131,782        | \$ 227,267        |
| Money Market Mutual Funds               | 8,062               | 8,062                            | -                 | -                 |
| <b>Total Debt Securities</b>            | <b>433,660</b>      | <b>\$ 74,611</b>                 | <b>\$ 131,782</b> | <b>\$ 227,267</b> |
| Other Securities                        |                     |                                  |                   |                   |
| Equity Mutual Funds                     | 1,021,753           |                                  |                   |                   |
| <b>Total Non-Pooled Investment Pool</b> | <b>\$ 1,455,413</b> |                                  |                   |                   |

At June 30, 2020, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

|                                  | Amount            | AAA<br>Aaa        | AA<br>Aa         | A                | BBB<br>Baa       | BB/Ba<br>and<br>below | Unrated          |
|----------------------------------|-------------------|-------------------|------------------|------------------|------------------|-----------------------|------------------|
| Debt Mutual Funds                | \$ 425,598        | \$ 176,377        | \$ 20,436        | \$ 48,308        | \$ 90,286        | \$ 74,246             | \$ 15,945        |
| Money Market Mutual Funds        | 8,062             | 8,062             | -                | -                | -                | -                     | -                |
| <b>Totals</b>                    | <b>\$ 433,660</b> | <b>\$ 184,439</b> | <b>\$ 20,436</b> | <b>\$ 48,308</b> | <b>\$ 90,286</b> | <b>\$ 74,246</b>      | <b>\$ 15,945</b> |
| Rating Agency: Standard & Poor's |                   |                   |                  |                  |                  |                       |                  |

**Total Investments** - The following table presents the total investments at June 30, 2020:

|                           | Amount               |
|---------------------------|----------------------|
| <b>Investment Type</b>    |                      |
| Debt Securities           |                      |
| Debt Mutual Funds         | \$ 425,598           |
| Money Market Mutual Funds | 8,062                |
| Other Securities          |                      |
| UNC Investment Fund       | 93,498,574           |
| Equity Mutual Funds       | 1,021,753            |
| <b>Total Investments</b>  | <u>\$ 94,953,987</u> |

### NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the University's investments are recorded at fair value as of June 30, 2020. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

The following table summarizes the University's investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2020:

|   | Fair Value     | Fair Value Measurements Using |                |                |
|---|----------------|-------------------------------|----------------|----------------|
|   |                | Level 1 Inputs                | Level 2 Inputs | Level 3 Inputs |
| <b>Investments by Fair Value Level</b>                                |                |                               |                |                |
| Debt Securities   |                |                               |                |                |
| Debt Mutual Funds   | \$ 425,598     | \$ 425,598                    | \$ -           | \$ -           |
| Money Market Mutual Funds   | 8,062          | 8,062                         | -              | -              |
| <b>Total Debt Securities</b>  | 433,660        | 433,660                       | -              | -              |
| Other Securities  |                |                               |                |                |
| Equity Mutual Funds   | 1,021,753      | 1,021,753                     | -              | -              |
| <b>Total Investments by Fair Value Level</b>                          | 1,455,413      | \$ 1,455,413                  | \$ -           | \$ -           |
| <b>Investments as a Position in an External Investment Pool</b>       |                |                               |                |                |
| Short-Term Investment Fund  | 167,993,122    |                               |                |                |
| UNC Investment Fund   | 93,498,574     |                               |                |                |
| <b>Total Investments as a Position in an External Investment Pool</b> | 261,491,696    |                               |                |                |
| <b>Total Investments Measured at Fair Value</b>                       | \$ 262,947,109 |                               |                |                |

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

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy which limits spending to 4.5% of the average market value of the endowment over three previous years. To the extent that the total return for the current year exceeds the payout, the excess is added to

principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2020, net appreciation of \$39,329,068 was available to be spent, of which \$29,858,259 was classified in net position as restricted, expendable for specific purposes, including scholarships and fellowships, research, endowed professorships, departmental uses, and other uses. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

## NOTE 5 - RECEIVABLES

Receivables at June 30, 2020, were as follows:

|  | Gross<br>Receivables | Less Allowance for<br>Doubtful Accounts | Net<br>Receivables  |
|--|----------------------|---|---------------------|
| <b>Current Receivables:</b>                |                      |   |                     |
| Students                                   | \$ 2,610,608         | \$ 336,815                              | \$ 2,273,793        |
| Accounts                                   | 2,877,077            | 2,550                                   | 2,874,527           |
| Intergovernmental                          | 804,691              | -                                       | 804,691             |
| Pledges                                    | 2,679,984            | 67,998                                  | 2,611,986           |
| Investment Earnings                        | 1,700,000            | -                                       | 1,700,000           |
| Interest on Loans                          | 105,888              | -                                       | 105,888             |
| Other                                      | 306                  | -                                       | 306                 |
| <b>Total Current Receivables</b>           | <b>\$10,778,554</b>  | <b>\$ 407,363</b>                       | <b>\$10,371,191</b> |
| <b>Noncurrent Receivables:</b>             |                      |   |                     |
| Pledges                                    | \$ 5,447,519         | \$ 50,658                               | \$ 5,396,861        |
| Other Receivables                          | 5,209                | -                                       | 5,209               |
| <b>Total Noncurrent Receivables</b>        | <b>\$ 5,452,728</b>  | <b>\$ 50,658</b>                        | <b>\$ 5,402,070</b> |
| <b>Notes Receivable:</b>                   |                      |   |                     |
| <b>Notes Receivable - Current:</b>         |                      |   |                     |
| Federal Loan Programs                      | \$ 182,679           | \$ 19,135                               | \$ 163,544          |
| Institutional Student Loan Programs        | 143,849              | -                                       | 143,849             |
| <b>Total Notes Receivable - Current</b>    | <b>\$ 326,528</b>    | <b>\$ 19,135</b>                        | <b>\$ 307,393</b>   |
| <b>Notes Receivable - Noncurrent:</b>      |                      |   |                     |
| Federal Loan Programs                      | \$ 2,083,830         | \$ 270,898                              | \$ 1,812,932        |
| Promissory Note                            | 535,140              | -                                       | 535,140             |
| Institutional Student Loan Programs        | 345,534              | -                                       | 345,534             |
| <b>Total Notes Receivable - Noncurrent</b> | <b>\$ 2,964,504</b>  | <b>\$ 270,898</b>                       | <b>\$ 2,693,606</b> |



## NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2020, is presented as follows:

|   | Balance<br>July 1, 2019<br>(as Restated) | Increases             | Decreases            | Balance<br>June 30, 2020 |
|---|--|-----------------------|----------------------|--------------------------|
| Capital Assets, Nondepreciable:               |  |                       |                      |                          |
| Land and Permanent Easements                  | \$ 9,808,502                             | \$ 683,055            | \$ -                 | \$ 10,491,557            |
| Art, Literature, and Artifacts                | 2,155,207                                | 6,760                 | -                    | 2,161,967                |
| Construction in Progress                      | 57,232,466                               | 89,775,311            | 89,451,041           | 57,556,736               |
| <b>Total Capital Assets, Nondepreciable</b>   | <b>69,196,175</b>                        | <b>90,465,126</b>     | <b>89,451,041</b>    | <b>70,210,260</b>        |
| Capital Assets, Depreciable:                  |  |                       |                      |                          |
| Buildings                                     | 608,010,853                              | 71,519,986            | -                    | 679,530,839              |
| Machinery and Equipment                       | 56,088,082                               | 4,742,611             | 3,262,017            | 57,568,676               |
| General Infrastructure                        | 46,523,235                               | 22,462,608            | -                    | 68,985,843               |
| <b>Total Capital Assets, Depreciable</b>      | <b>710,622,170</b>                       | <b>98,725,205</b>     | <b>3,262,017</b>     | <b>806,085,358</b>       |
| Less Accumulated Depreciation for:            |  |                       |                      |                          |
| Buildings                                     | 173,489,425                              | 9,819,280             | -                    | 183,308,705              |
| Machinery and Equipment                       | 34,892,437                               | 4,242,838             | 2,828,527            | 36,306,748               |
| General Infrastructure                        | 15,707,654                               | 1,438,839             | -                    | 17,146,493               |
| <b>Total Accumulated Depreciation</b>         | <b>224,089,516</b>                       | <b>15,500,957</b>     | <b>2,828,527</b>     | <b>236,761,946</b>       |
| <b>Total Capital Assets, Depreciable, Net</b> | <b>486,532,654</b>                       | <b>83,224,248</b>     | <b>433,490</b>       | <b>569,323,412</b>       |
| <b>Capital Assets, Net</b>                    | <b>\$ 555,728,829</b>                    | <b>\$ 173,689,374</b> | <b>\$ 89,884,531</b> | <b>\$ 639,533,672</b>    |

Donated assets were recorded using the actual cost of acquisition or construction costs provided to us by the donor.

## NOTE 7 - SERVICE CONCESSION ARRANGEMENT 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. The Student Housing Facility will consist of a 1,038-bed, two-building student housing facility to be delivered for occupancy in the fall of 2020 ("Phase I") and a 776-bed student housing facility to be delivered for occupancy in the fall of 2021 (Phase II). The project, with an estimated cost of \$130 million, is on property located on the campus of the University of North Carolina at 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 University will report the project as a capital asset and a related deferred inflow of resources in fiscal year 2021.

The student housing facility will be managed by the University under the terms of the management agreement. The University will operate the facility with budgetary oversight from CHF.

## NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2020, were as follows:

|   | Amount               |
|---|----------------------|
| <b>Current Accounts Payable and Accrued Liabilities</b>       |                      |
| Accounts Payable  | \$ 3,444,003         |
| Accounts Payable - Capital Assets                             | 3,293,875            |
| Accrued Payroll   | 294,473              |
| Contract Retainage  | 4,847,922            |
| Intergovernmental Payables                                    | 6,409                |
| <b>Total Current Accounts Payable and Accrued Liabilities</b> | <u>\$ 11,886,682</u> |
| <b>Noncurrent Accounts Payable</b>                            |                      |
| Accounts Payable  | <u>\$ 225,000</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, 2020, is presented as follows:

|   | Balance<br>July 1, 2019 | Additions             | Reductions           | Balance<br>June 30, 2020 | Current<br>Portion   |
|---|-------------------------|-----------------------|----------------------|--------------------------|----------------------|
| <b>Long-Term Debt</b>   |                         |                       |                      |                          |                      |
| Revenue Bonds Payable   | \$ 69,720,000           | \$ 52,575,000         | \$ 48,370,000        | \$ 73,925,000            | \$ 3,325,000         |
| Limited Obligation Bonds  | 111,935,000             | -                     | 1,725,000            | 110,210,000              | 3,845,000            |
| Bonds from Direct Placements  | 25,926,451              | 15,868,000            | 17,140,451           | 24,654,000               | 1,848,000            |
| Plus: Unamortized Premium   | 12,394,306              | 8,514,709             | 2,662,671            | 18,246,344               | -                    |
| <b>Total Revenue Bonds Payable, Limited Obligation Bonds,<br/>and Bonds from Direct Placements, Net</b> | <b>219,975,757</b>      | <b>76,957,709</b>     | <b>69,898,122</b>    | <b>227,035,344</b>       | <b>9,018,000</b>     |
| Notes from Direct Borrowings  | 10,165,948              | 1,014,649             | 699,022              | 10,481,575               | 752,613              |
| Capital Leases Payable  | 147,190                 | 3,024,204             | 1,877,661            | 1,293,733                | 716,576              |
| <b>Total Long-Term Debt</b>   | <b>230,288,895</b>      | <b>80,996,562</b>     | <b>72,474,805</b>    | <b>238,810,652</b>       | <b>10,487,189</b>    |
| <b>Other Long-Term Liabilities</b>  |                         |                       |                      |                          |                      |
| Employee Benefits   |                         |                       |                      |                          |                      |
| Compensated Absences  | 11,990,208              | 7,923,864             | 7,483,252            | 12,430,820               | 303,822              |
| Net Pension Liability   | 38,746,112              | 4,937,135             | -                    | 43,683,247               | -                    |
| Net Other Postemployment Benefits Liability   | 211,944,551             | 47,609,191            | -                    | 259,553,742              | -                    |
| Workers' Compensation   | 759,203                 | 340,686               | 427,698              | 672,191                  | 463,834              |
| <b>Total Other Long-Term Liabilities</b>  | <b>263,440,074</b>      | <b>60,810,876</b>     | <b>7,910,950</b>     | <b>316,340,000</b>       | <b>767,656</b>       |
| <b>Total Long-Term Liabilities, Net</b>   | <b>\$ 493,728,969</b>   | <b>\$ 141,807,438</b> | <b>\$ 80,385,755</b> | <b>\$ 555,150,652</b>    | <b>\$ 11,254,845</b> |

Additional information regarding capital lease obligations 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<br>Rate/<br>Ranges | Final<br>Maturity<br>Date | Original<br>Amount<br>of Issue | Principal<br>Outstanding<br>June 30, 2020 |
|---|--------|-----------------------------|---------------------------|--------------------------------|---|
| <b>Revenue Bonds Payable</b>  |        |                             |                           |                                |   |
| <b>UNCW General Revenue Bonds</b>   |        |                             |                           |                                |   |
| Construct MARBIONC Facility   | 2010   | 4.2 - 5.97                  | * 01/01/2040              | \$ 15,750,000                  | \$ -                                      |
| Parking Deck  | 2019   | 3.0 - 5.0                   | 04/01/2049                | 21,350,000                     | 21,350,000                                |
| Refund Series 2010 and 2010D; Dining Facility (2019B)   | 2019B  | 2.5 - 5.0                   | 10/01/2049                | 41,395,000                     | 41,395,000                                |
| Refund 2010C  | 2020A  | 5.0                         | 10/01/2026                | 11,180,000                     | 11,180,000                                |
| Total UNCW General Revenue Bonds  |        |                             |                           | 89,675,000                     | 73,925,000                                |
| <b>The University of North Carolina System Pool Revenue Bonds</b>   |        |                             |                           |                                |   |
| Refund Series 2002A & 2003A; Rec Ctr Exp (2010C)  | (A)    | 3.0 - 5.25                  | 10/01/2026                | 32,170,000                     | -   |
| Recreation Center Expansion (2010D)   | (B)    | 6.627 - 6.727 *             | 10/01/2039                | 20,660,000                     | -   |
| Total The University of North Carolina System Pool Revenue Bonds  |        |                             |                           | 52,830,000                     | -   |
| <b>Limited Obligation Bonds</b>   |        |                             |                           |                                |   |
| Student Housing-Seahawk Village & Seahawk Landing   | 2015   | 3.0 - 5.0                   | 06/01/2037                | 59,550,000                     | 52,975,000                                |
| Student Housing-Seahawk Crossing & Parking Deck   | 2016   | 2.0 - 5.0                   | 06/01/2038                | 57,235,000                     | 57,235,000                                |
| Total Limited Obligation Bonds  |        |                             |                           | 116,785,000                    | 110,210,000                               |
| <b>Bonds from Direct Placements</b>   |        |                             |                           |                                |   |
| Schwartz/Suites & Wagoner Renovation Projects   | 2011   | 3.64                        | 03/01/2026                | 9,000,000                      | -   |
| Refund 2003A Union  | 2012   | 2.84                        | 01/01/2028                | 11,755,000                     | -   |
| Refund 2006A  | 2016   | 2.17                        | 10/01/2033                | 11,484,000                     | 8,786,000                                 |
| Refund 2011 and 2012  | 2020B  | 1.83                        | 01/01/2028                | 15,868,000                     | 15,868,000                                |
| Total Bonds from Direct Placements  |        |                             |                           | 48,107,000                     | 24,654,000                                |
| <b>Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements (principal only)</b> |        |                             |                           | <u>\$ 307,397,000</u>          | 208,789,000                               |
| Plus: Unamortized Premium   |        |                             |                           |                                | 18,246,344                                |
| <b>Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net</b>             |        |                             |                           |                                | <u>\$ 227,035,344</u>                     |

(A) The University of North Carolina System Pool Revenue Bonds, Series 2010C

(B) The University of North Carolina System Pool Revenue Bonds, Series 2010D

\* The University has elected to treat these bonds as federally taxable "Build America Bonds" for the purposes of the American Recovery and Reinvestment Act and to receive a cash subsidy from the U.S. Treasury equal to 32% of the interest payable on these bonds. For these bonds, the interest rate included is the taxable rate, which does not factor in the cash subsidy from the U.S. Treasury.

- 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, 2020 |
|---|----------------------------|---------------|---------------------|--------------------------|-------------------------------------|
| College Station                           | BB&T                       | Variable      | 11/05/2022          | \$ 1,394,730             | \$ 369,028                          |
| Energy Conservation Loan                  | BB&T                       | 3.47%         | 03/01/2030          | 4,542,387                | 3,364,050                           |
| Energy Conservation Loan                  | PNC Equipment Finance, LLC | 3.42%         | 06/30/2033          | 6,846,011                | 5,742,924                           |
| Truist Hall                               | BB&T                       | 4.56%         | 06/10/2029          | 1,014,649                | 1,005,573                           |
| <b>Total Notes from Direct Borrowings</b> |                            |               |                     | <b>\$ 13,797,777</b>     | <b>\$ 10,481,575</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, 2020, are as follows:

| Fiscal Year               | Annual Requirements   |                     |                          |                     |                              |                     |                              |                     |
|---------------------------|-----------------------|---------------------|--------------------------|---------------------|------------------------------|---------------------|------------------------------|---------------------|
|                           | Revenue Bonds Payable |                     | Limited Obligation Bonds |                     | Bonds from Direct Placements |                     | Notes from Direct Borrowings |                     |
|                           | Principal             | Interest            | Principal                | Interest            | Principal                    | Interest            | Principal                    | Interest*           |
| 2021                      | \$ 3,325,000          | \$ 2,990,863        | \$ 3,845,000             | \$ 4,566,925        | \$ 1,848,000                 | \$ 372,763          | \$ 752,613                   | \$ 360,843          |
| 2022                      | 2,945,000             | 2,834,112           | 4,410,000                | 4,393,625           | 2,308,000                    | 445,273             | 795,338                      | 336,199             |
| 2023                      | 2,305,000             | 2,702,863           | 4,905,000                | 4,196,775           | 3,013,000                    | 402,530             | 729,878                      | 310,789             |
| 2024                      | 1,530,000             | 2,606,987           | 5,075,000                | 4,025,625           | 3,075,000                    | 344,237             | 715,549                      | 286,811             |
| 2025                      | 1,605,000             | 2,528,613           | 5,320,000                | 3,771,875           | 3,131,000                    | 284,747             | 754,130                      | 261,421             |
| 2026-2030                 | 9,940,000             | 11,294,812          | 30,225,000               | 15,251,625          | 9,066,000                    | 629,773             | 5,217,402                    | 842,299             |
| 2031-2035                 | 12,905,000            | 8,537,956           | 37,045,000               | 8,419,850           | 2,213,000                    | 104,628             | 1,516,665                    | 89,334              |
| 2036-2040                 | 17,930,000            | 5,422,475           | 19,385,000               | 1,231,450           | -                            | -                   | -                            | -                   |
| 2041-2045                 | 10,740,000            | 2,801,450           | -                        | -                   | -                            | -                   | -                            | -                   |
| 2046-2050                 | 10,700,000            | 910,150             | -                        | -                   | -                            | -                   | -                            | -                   |
| <b>Total Requirements</b> | <b>\$73,925,000</b>   | <b>\$42,630,281</b> | <b>\$ 110,210,000</b>    | <b>\$45,857,750</b> | <b>\$24,654,000</b>          | <b>\$ 2,583,951</b> | <b>\$10,481,575</b>          | <b>\$ 2,487,696</b> |

\*Interest on the variable rate College Station note from direct borrowing is calculated based on LIBOR plus 2.05% at 2.21% at June 30, 2020.

- 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 \$73,925,000 and **Bonds from Direct Placements** of \$24,654,000 (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 \$110,210,000 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 \$9,106,974. These agreements also contains 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 reasonable 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 borrowings of \$369,028 dated October 21, 2011, which is an obligation of UNCW Corporation College Station, 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.

UNCW has one outstanding note from direct borrowings of \$1,005,573 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.

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

On October 31, 2019, the University issued \$10,620,000 in General Revenue Refunding Bonds, Series 2019B with an average interest rate of 4.28%. The bonds were issued for a current refunding of \$12,230,000 of outstanding The University of North Carolina at Wilmington Taxable General Revenue Bonds (Build America Bonds), Series 2010 with an average interest rate of 5.83%. The refunding was undertaken to reduce total debt service payments by \$2,050,796 over the next 21 years and resulted in an economic gain of \$1,666,174.

On October 31, 2019, the University issued \$17,730,000 in General Revenue Refunding Bonds, Series 2019B with an average interest rate of 4.21%. The bonds were issued for a current refunding of \$20,660,000 of outstanding The University of North Carolina System Taxable Pool Revenue Bonds (UNC Wilmington Build America Bonds), Series 2010D with an average interest rate of 6.71%. The refunding was undertaken to reduce total debt service payments by \$5,584,029 over the next 21 years and resulted in an economic gain of \$4,453,142.

On January 7, 2020, the University issued \$11,180,000 in General Revenue Refunding Bonds, Series 2020A with an average interest rate of 5.0%. The bonds were issued for a current refunding of \$12,065,000 of outstanding The University of North Carolina System Pool Revenue Bonds (UNC Asheville/UNC Wilmington), Series 2010C with an average interest rate of 4.48%. The refunding was undertaken to reduce total debt service payments by \$868,768 over the next 8 years and resulted in an economic gain of \$803,233.

On May 19, 2020, the University issued an \$11,560,000 General Revenue Refunding Bond, Series 2020B from a direct placement with an average interest rate of 1.83%. The bonds were issued for a current refunding of \$12,045,693 of outstanding The University of North Carolina General Revenue Refunding Bond, Series 2012 with an average interest rate of 2.84%. The refunding was undertaken to reduce total debt service payments by \$519,315 over the next 8 years and resulted in an economic gain of \$485,790.

On May 19, 2020, the University issued a \$4,308,000 General Revenue Refunding Bond, Series 2020B from a direct placement with an average interest rate of 1.83%. The bonds were issued for a current refunding of \$4,170,415 of outstanding The University of North Carolina General Revenue Refunding Bond, Series 2011 with an average interest rate of 3.64%. The refunding was undertaken to reduce total debt service payments by \$160,214 over the next 6 years and resulted in an economic gain of \$139,786.

## NOTE 10 - LEASE OBLIGATIONS

- A. Capital Lease Obligations** - Capital lease obligations relating to a modular laboratory building, laundry equipment, and printers are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2020:

| <u>Fiscal Year</u>  | <u>Amount</u>              |
|---|----------------------------|
| 2021  | \$ 733,044                 |
| 2022  | 159,760                    |
| 2023  | 159,760                    |
| 2024  | 153,956                    |
| 2025  | 93,284                     |
| 2026  | <u>32,760</u>              |
| Total Minimum Lease Payments                                  | 1,332,564                  |
| Amount Representing Interest<br>(1.83% - 6% Rate of Interest) | <u>38,831</u>              |
| <b>Present Value of Future Lease Payments</b>                 | <b><u>\$ 1,293,733</u></b> |

The modular laboratory building and equipment acquired under capital lease amounted to \$3,067,092 at June 30, 2020.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled \$1,209,242 at June 30, 2020.

- B. Operating Lease Obligations** - The University entered into operating leases for \$1,581,112 for an aquaculture facility, land, an elementary school, printer, landscape equipment, and temporary classroom trailers. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2020:

| <u>Fiscal Year</u>                  | <u>Amount</u>              |
|-------------------------------------|----------------------------|
| 2021                                | \$ 296,819                 |
| 2022                                | 169,431                    |
| 2023                                | 143,437                    |
| 2024                                | 91,425                     |
| 2025                                | 40,000                     |
| 2026-2030                           | 200,000                    |
| 2031-2035                           | 200,000                    |
| 2036-2040                           | 200,000                    |
| 2041-2045                           | 200,000                    |
| 2046                                | 40,000                     |
| <b>Total Minimum Lease Payments</b> | <b><u>\$ 1,581,112</u></b> |

Rental expense for all operating leases during the year was \$659,145.

## 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   | \$ (22,963,235)                |
| Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources                          | <u>(305,329,425)</u>           |
| Effect on Unrestricted Net Position  | (328,292,660)                  |
| Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities | <u>101,603,247</u>             |
| <b>Total Unrestricted Net Position</b>   | <b><u>\$ (226,689,413)</u></b> |

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.



## NOTE 12 - REVENUES

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

|   | Gross<br>Revenues    | Less<br>Scholarship<br>Discounts<br>and Allowances | Less<br>Allowance for<br>Uncollectibles | Net<br>Revenues      |
|---|----------------------|--|---|----------------------|
| <b>Operating Revenues:</b>                                |                      |  |   |                      |
| Student Tuition and Fees, Net                             | \$ 141,932,977       | \$ 19,811,818                                      | \$ 81,699                               | \$ 122,039,460       |
| <b>Sales and Services:</b>                                |                      |  |   |                      |
| Sales and Services of Auxiliary Enterprises:              |                      |  |   |                      |
| Residential Life  | \$ 21,558,483        | \$ 2,875,805                                       | \$ 16,145                               | \$ 18,666,533        |
| Dining  | 15,074,719           | 1,462,613  | 10,379                                  | 13,601,727           |
| Parking   | 4,024,944            | -  | 3,974                                   | 4,020,970            |
| Recreation Services                                       | 2,241,242            | -  | 13,313                                  | 2,227,929            |
| Printing and Duplicating                                  | 146,950              | -  | -                                       | 146,950              |
| Bookstore   | 852,323              | -  | -                                       | 852,323              |
| Postal Services   | 171,057              | -  | 320                                     | 170,737              |
| Other   | 1,239,261            | -  | 12,378                                  | 1,226,883            |
| Sales and Services of Education<br>and Related Activities | 2,758,712            | -  | 4,041                                   | 2,754,671            |
| <b>Total Sales and Services, Net</b>                      | <b>\$ 48,067,691</b> | <b>\$ 4,338,418</b>                                | <b>\$ 60,550</b>                        | <b>\$ 43,668,723</b> |
| <b>Nonoperating Revenues:</b>                             |                      |  |   |                      |
| Noncapital Contributions, Net                             | \$ 4,663,217         | \$ -   | \$ 65,533                               | \$ 4,597,684         |

## NOTE 13 - OPERATING EXPENSES BY FUNCTION

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

|                                     | Salaries<br>and<br>Benefits | Supplies<br>and<br>Services | Scholarships<br>and<br>Fellowships | Utilities           | Depreciation         | Total                 |
|-------------------------------------|-----------------------------|-----------------------------|------------------------------------|---------------------|----------------------|-----------------------|
| Instruction                         | \$ 115,449,995              | \$ 17,366,963               | \$ 665,296                         | \$ 108,737          | \$ -                 | \$ 133,590,991        |
| Research                            | 7,020,322                   | 4,612,046                   | 162,899                            | 242                 | -                    | 11,795,509            |
| Public Service                      | 2,550,774                   | 1,600,870                   | 153,886                            | -                   | -                    | 4,305,530             |
| Academic Support                    | 18,360,633                  | 13,093,441                  | -                                  | 1,480               | -                    | 31,455,554            |
| Student Services                    | 10,440,855                  | 3,066,129                   | 124,033                            | 363                 | -                    | 13,631,380            |
| Institutional Support               | 29,738,256                  | 7,031,290                   | 195,204                            | 103,866             | -                    | 37,068,616            |
| Operations and Maintenance of Plant | 18,243,082                  | 5,778,437                   | -                                  | 4,976,998           | -                    | 28,998,517            |
| Student Financial Aid               | -                           | -                           | 30,027,572                         | -                   | -                    | 30,027,572            |
| Auxiliary Enterprises               | 13,102,201                  | 28,180,799                  | 823,586                            | 2,029,974           | -                    | 44,136,560            |
| Depreciation                        | -                           | -                           | -                                  | -                   | 15,500,957           | 15,500,957            |
| <b>Total Operating Expenses</b>     | <b>\$ 214,906,118</b>       | <b>\$ 80,729,975</b>        | <b>\$ 32,152,476</b>               | <b>\$ 7,221,660</b> | <b>\$ 15,500,957</b> | <b>\$ 350,511,186</b> |

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of \$4,376,550 provided by the CARES Act - Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the University in

providing the student awards, the related program activity is reported as nonoperating Federal Aid - COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 12.

## **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 full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees 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 based on the actuarially-determined rate recommended by the actuary. The University's contractually-required contribution rate for the year ended June 30, 2020 was 12.97% of covered payroll. Employee contributions to the pension plan were \$4,135,729, and the University's contributions were \$8,940,067 for the year ended June 30, 2020.

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 2019 *Comprehensive Annual 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 were 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 are the sole participants 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 2019 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2020, the University reported a liability of \$43,683,247 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. The University's proportion of the net pension liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the University's proportion was 0.42137%, which was an increase of 0.03220 from its proportion measured as of June 30, 2018, which was 0.38917%.

*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  | 12/31/2018    |
| Inflation   | 3%            |
| Salary Increases*   | 3.50% - 8.10% |
| Investment Rate of Return**   | 7.00%         |
| * Salary increases include 3.5% inflation and productivity                          |               |
| ** Investment rate of return includes inflation 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. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

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, 2019 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2019 is 1.4%.

**Discount Rate:** The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2018 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, 2019 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

| Net Pension Liability |                               |                     |
|-----------------------|-------------------------------|---------------------|
| 1% Decrease (6.00%)   | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| \$ 83,141,370         | \$ 43,683,247                 | \$ 10,582,910       |

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2020, the University recognized pension expense of \$16,895,497. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Difference Between Actual and Expected Experience  | \$ 3,654,053                      | \$ 87,451                        |
| Changes of Assumptions   | 4,654,622                         | -                                |
| Net Difference Between Projected and Actual Earnings on Plan Investments                                       | 837,346                           | -                                |
| Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions | 2,721,375                         | -                                |
| Contributions Subsequent to the Measurement Date   | 8,940,067                         | -                                |
| <b>Total</b>   | <b>\$ 20,807,463</b>              | <b>\$ 87,451</b>                 |

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions 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**

| <u>Year Ended June 30:</u> | <u>Amount</u>       |
|----------------------------|---------------------|
| 2021                       | \$ 7,564,452        |
| 2022                       | 2,526,289           |
| 2023                       | 1,396,279           |
| 2024                       | 292,925             |
| <b>Total</b>               | <b>\$11,779,945</b> |

- B. Defined Contribution Plan** - The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Faculty and staff of the University may join ORP instead of TSERS. The Board of

Governors of the University of North Carolina is responsible for the administration of ORP and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under ORP and approves the form and contents of the contracts and trust agreements.

Participants in ORP are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in ORP. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Member and employer contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2020, these rates were set at 6% of covered payroll for members and 6.84% of covered payroll for employers. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of \$170,519,102, of which \$79,501,953 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$4,770,117 and \$5,437,934, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures of \$337,161 recognized during the reporting period.

## **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 2019 *Comprehensive Annual 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

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

Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2019 *Comprehensive Annual 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 as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

*Benefits Provided:* Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 16. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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



credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

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

*Contributions:* Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The University's contractually-required contribution rate for the year ended June 30, 2020 was 6.47% of covered payroll. The University's contributions to the RHBF were \$9,603,470 for the year ended June 30, 2020.

## **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, LEAs which are not part of the reporting entity, and the ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

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

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

except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the ORP.

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

*Contributions:* Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2020 was 0.10% of covered payroll. The University's contributions to DIPNC were \$148,431 for the year ended June 30, 2020.

#### **C. Net OPEB Liability (Asset)**

*Net OPEB Liability:* At June 30, 2020, the University reported a liability of \$259,553,742 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. The University's proportion of the net OPEB liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the University's proportion was 0.82035%, which was an increase of 0.07638 from its proportion measured as of June 30, 2018, which was 0.74397%.

*Net OPEB Asset:* At June 30, 2020, the University reported an asset of \$360,151 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. The University's proportion of the net OPEB asset was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the University's proportion was 0.83465%, which was an increase of 0.05117 from its proportion measured as of June 30, 2018, which was 0.78348%.

*Actuarial Assumptions:* The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2018, 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, 2019 utilizing update procedures incorporating the actuarial assumptions.

|  | Retiree<br>Health Benefit<br>Fund      | Disability<br>Income Plan<br>of N. C.  |
|--|--|--|
| Valuation Date   | 12/31/2018                             | 12/31/2018                             |
| Inflation  | 3.00%                                  | 3.00%                                  |
| Salary Increases*  | 3.50% - 8.10%                          | 3.50% - 8.10%                          |
| Investment Rate of Return**  | 7.00%                                  | 3.75%                                  |
| Healthcare Cost Trend Rate - Medical   | 6.50% grading down to<br>5.00% by 2024 | 6.50% grading down<br>to 5.00% by 2024 |
| Healthcare Cost Trend Rate - Prescription Drug   | 9.50% grading down to<br>5.00% by 2028 | 9.50% grading down<br>to 5.00% by 2028 |
| Healthcare Cost Trend Rate - Medicare Advantage  | 6.50% grading down to<br>5.00% by 2024 | N/A                                    |
| Healthcare Cost Trend Rate - Administrative  | 3.00%                                  | N/A                                    |
| * Salary increases include 3.5% inflation and productivity factor.                           |  |  |
| ** Investment rate of return is net of pension plan investment expense, including inflation. |  |  |
| N/A - Not Applicable   |  |  |

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

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects 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, 2019.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2019 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina

Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2019 is 1.4%.

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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

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

The actuarial assumptions used in the December 31, 2018 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

*Discount Rate:* The discount rate used to measure the total OPEB liability for RHBF was 3.50%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will 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 of current plan members. As a result, a municipal bond rate of 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate:* The following presents the University's proportionate share of the net OPEB liability (asset) of the plans, as well as what the

plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

| <b>Net OPEB Liability (Asset)</b> |                            |                                      |                            |  |
|-----------------------------------|----------------------------|--------------------------------------|----------------------------|--|
|                                   | <u>1% Decrease (2.50%)</u> | <u>Current Discount Rate (3.50%)</u> | <u>1% Increase (4.50%)</u> |  |
| RHBF                              | \$ 308,444,750             | \$ 259,553,742                       | \$ 220,408,078             |  |
|                                   | <u>1% Decrease (2.75%)</u> | <u>Current Discount Rate (3.75%)</u> | <u>1% Increase (4.75%)</u> |  |
| DIPNC                             | \$ (305,040)               | \$ (360,151)                         | \$ (413,703)               |  |

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

| <b>Net OPEB Liability (Asset)</b> |  |  |   |  |
|-----------------------------------|--|--|---|--|
|                                   | <u>1% Decrease<br/>(Medical - 4.00% - 5.50%,<br/>Pharmacy - 4.00% - 8.50%,<br/>Med. Advantage - 4.00% - 5.50%,<br/>Administrative - 2.00%)</u> | <u>Current Healthcare<br/>Cost Trend Rates<br/>(Medical - 5.00% - 6.50%,<br/>Pharmacy - 5.00% - 9.50%,<br/>Med. Advantage - 5.00% - 6.50%,<br/>Administrative - 3.00%)</u> | <u>1% Increase<br/>(Medical - 6.00% - 7.50%,<br/>Pharmacy - 6.00% - 10.50%,<br/>Med. Advantage - 6.00% - 7.50%,<br/>Administrative - 4.00%)</u> |  |
| RHBF                              | \$ 213,723,612   | \$ 259,553,742   | \$ 319,815,260  |  |
|                                   | <u>1% Decrease<br/>(Medical - 4.00% - 5.50%,<br/>Pharmacy - 4.00% - 8.50%)</u>   | <u>Current Healthcare<br/>Cost Trend Rates<br/>(Medical - 5.00% - 6.50%,<br/>Pharmacy - 5.00% - 9.50%)</u>   | <u>1% Increase<br/>(Medical - 6.00% - 7.50%,<br/>Pharmacy - 6.00% - 10.50%)</u>   |  |
| DIPNC                             | \$ (360,786)   | \$ (360,151)   | \$ (359,559)  |  |

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* For the year ended June 30, 2020, the University recognized OPEB contra-expense of \$824,287 for RHBF and expense of \$332,334 for DIPNC, resulting in a total OPEB contra-expense of \$491,953. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <b>Employer Balances of Deferred Outflows of Resources<br/>Related to OPEB by Classification:</b>               |                      |                   |                      |
|---|----------------------|-------------------|----------------------|
|   | <u>RHBF</u>          | <u>DIPNC</u>      | <u>Total</u>         |
| Differences Between Actual and Expected Experience  | \$ -                 | \$ 367,922        | \$ 367,922           |
| Changes of Assumptions  | 12,475,375           | 39,896            | 12,515,271           |
| Net Difference Between Projected and Actual Earnings on Plan Investments  | 172,842              | 68,600            | 241,442              |
| Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions | 39,891,406           | -                 | 39,891,406           |
| Contributions Subsequent to the Measurement Date  | <u>9,603,470</u>     | <u>148,431</u>    | <u>9,751,901</u>     |
| <b>Total</b>  | <u>\$ 62,143,093</u> | <u>\$ 624,849</u> | <u>\$ 62,767,942</u> |

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

|   | RHB                   | DIPNC            | Total                 |
|---|-----------------------|------------------|-----------------------|
| Differences Between Actual and Expected Experience  | \$ 13,084,778         | \$ -             | \$ 13,084,778         |
| Changes of Assumptions  | 78,033,230            | 36,950           | 78,070,180            |
| Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions | 16,800,768            | 62,204           | 16,862,972            |
| <b>Total</b>  | <b>\$ 107,918,776</b> | <b>\$ 99,154</b> | <b>\$ 108,017,930</b> |

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHB and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

| Year Ended June 30: | RHB                    | DIPNC             |
|---------------------|------------------------|-------------------|
| 2021                | \$ (21,854,631)        | \$ 136,709        |
| 2022                | (21,854,631)           | 96,167            |
| 2023                | (21,829,641)           | 68,248            |
| 2024                | 2,416,934              | 39,853            |
| 2025                | 7,742,816              | 57,942            |
| Thereafter          | -                      | (21,655)          |
| <b>Total</b>        | <b>\$ (55,379,153)</b> | <b>\$ 377,264</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 contributions. Certain plans also

require contributions from employees. 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 0.16% 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 up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. 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 fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such 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 coverage. Losses covered by the Fund are subject to a \$25,000 per occurrence deductible.

The University maintains all-risk coverage for all of its buildings and the contents located within those buildings. The University attempts to cover all buildings and contents based on their replacement values. The University has covered all building and content losses 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 a private insurance company. 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 Comprehensive Annual 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 \$15,036,461 and on other purchases were \$17,488,569 at June 30, 2020.
- 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 | \$ 1,547,416 |



## NOTE 18 - HURRICANE FLORENCE

In September 2018, Hurricane Florence impacted areas of the southeastern United States, including Wilmington, NC, and specifically UNCW's campus. The hurricane caused significant damage to our facilities, infrastructure, and grounds. Dobo Hall, a science classroom and laboratory facility on the campus of UNCW, was closed and did not reopen until August 2020. The University Apartments, used for student housing, were condemned and demolished. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, impairment gains and losses, related to Dobo Hall and the University Apartments, respectively, were recognized during the fiscal year ended June 30, 2019.

During the fiscal year ending June 30, 2020, the University incurred and received additional expenses and insurance recoveries related to Hurricane Florence. GASB Statement No. 42 requires that insurance recoveries received in years subsequent to the year of impairment be reported as nonoperating revenue when realized or realizable. As such, the University reported disaster costs of \$22,218,079 and insurance recoveries of \$7,879,333 associated with Hurricane Florence as nonoperating revenues and expenses in the Statement of Revenues, Expenses and Changes in Net Position in fiscal year 2020.

The following table presents the components of total disaster costs and insurance recoveries referenced in the previous paragraphs as well as additional revenue sources related to Hurricane Florence:

| <b>Capital Asset Impairments</b>                                   |                        |                       |                        |
|--|------------------------|-----------------------|------------------------|
|  | <u>2020</u>            | <u>2019</u>           | <u>Total</u>           |
| Building Impairment - University Apartments                        | \$ -                   | \$ (984,788)          | \$ (984,788)           |
| Building Impairment - Dobo Hall                                    | -                      | (10,663,140)          | (10,663,140)           |
| Insurance Recoveries - University Apartments                       | -                      | 763,557               | 763,557                |
| Insurance Recoveries - Dobo Hall                                   | -                      | 32,851,242            | 32,851,242             |
| <b>Net Gain Related to Capital Asset Impairments</b>               | <u>\$ -</u>            | <u>\$ 21,966,871</u>  | <u>\$ 21,966,871</u>   |
| <b>Other Hurricane Losses</b>                                      |                        |                       |                        |
|  | <u>2020</u>            | <u>2019</u>           | <u>Total</u>           |
| Restoration of Buildings and Grounds                               | \$ (20,894,074)        | \$ (52,431,186)       | \$ (73,325,260)        |
| Equipment Replacements   | (1,164,205)            | (3,475,499)           | (4,639,704)            |
| Other Incremental Disaster-Related Operating Costs                 | (159,800)              | (1,771,926)           | (1,931,726)            |
| <b>Total Disaster Costs</b>  | <u>(22,218,079)</u>    | <u>(57,678,611)</u>   | <u>(79,896,690)</u>    |
| Hurricane Florence Insurance Recoveries                            | <u>7,879,333</u>       | <u>31,226,266</u>     | <u>39,105,599</u>      |
| <b>Net Loss Related to Other Hurricane Losses</b>                  | <u>(14,338,746)</u>    | <u>(26,452,345)</u>   | <u>(40,791,091)</u>    |
| <b>Total Net Loss before Additional Revenue Sources</b>            | <u>\$ (14,338,746)</u> | <u>\$ (4,485,474)</u> | <u>\$ (18,824,220)</u> |
| <b>Additional Revenue Sources</b>                                  |                        |                       |                        |
|  | <u>2020</u>            | <u>2019</u>           | <u>Total</u>           |
| Capital Contributions (Hurricane Florence Disaster Relief)         | \$ 8,000,000           | \$ 27,215,501         | \$ 35,215,501          |
| Noncapital Contributions (FEMA)                                    | \$ 1,444,598           | \$ 453,608            | \$ 1,898,206           |
| <b>Capital Expenditures (included in Construction in Progress)</b> |                        |                       |                        |
|  | <u>2020</u>            | <u>2019</u>           | <u>Total</u>           |
| Dobo Hall Restoration  | \$ (43,424,151)        | \$ (3,913,733)        | \$ (47,337,884)        |

Financial activity related to Hurricane Florence will continue in future fiscal years. Building restoration work will continue through fiscal year 2021. The University maintains “all-risk” insurance through the North Carolina Department of Insurance, and reimbursements are generally provided after costs are incurred. In addition, UNCW qualifies for assistance through FEMA. As a result of the insurance coverage and FEMA eligibility, UNCW anticipates reimbursements for substantially all incurred Hurricane Florence related costs.

## **NOTE 19 - THE CORONAVIRUS PANDEMIC EMERGENCY**

In response to the coronavirus pandemic emergency, actions were taken by the University in March 2020 to reduce the spread of the coronavirus disease (COVID-19) and to provide for the health and safety of students, faculty, and staff.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act included various relief and recovery aid programs to address COVID-19 expenses and the costs incurred and revenue lost due to the actions taken to reduce the spread of COVID-19. For the University, these programs included (1) the Coronavirus Relief Fund (CRF) administered by the U.S. Department of Treasury and made available directly to state and local governments and (2) the Higher Education Emergency Relief Fund (HEERF) administered by the U.S. Department of Education and made available directly to universities and colleges.

The revenues from these programs are contingent upon meeting the terms and conditions of the programs and signed agreements with the funding agencies, are recognized when qualifying expenditures are incurred, funds are used for intended purposes, and other eligibility requirements are met, and are reported in the following revenue captions of the financial statements:

### **Nonoperating Revenue:**

**State Aid - Coronavirus Relief Fund** - This caption includes funds received from the CARES Act - CRF that were appropriated by the State of North Carolina in House Bill 1043 to the UNC Board of Governors (UNC-BOG) and allocated to the universities to cover COVID-19 expenses. These funds are reported separately from Federal Aid - COVID-19 revenues due to the reporting requirements of the State of North Carolina. The CRF funds must be expended by December 30, 2020.

**Federal Aid - COVID-19** - This caption includes funds received from the CARES Act, other than the CRF funds appropriated in House Bill 1043, as follows:

The HEERF funds provided include: (1) a student allocation to provide for emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19 and (2) an institutional allocation to cover costs associated with significant changes to the delivery of instruction due to COVID-19 including the recovery of revenue lost due to those changes. The HEERF funds must be expended within one year of the grant award notification date.

In addition, this caption includes indirect awards from the Elementary and Secondary School Emergency Relief Fund program funds of the CARES Act for COVID-19 emergency expenses related to the NC Laboratory Schools.

**Summary of State and Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended  
June 30, 2020:**

| Program  | Total<br>Authorized<br>Award | Earned<br>Revenue   | Unearned<br>Revenue (2) |
|--|------------------------------|---------------------|-------------------------|
| <b>State Aid - Coronavirus Relief Fund:</b>      |                              |                     |                         |
| CRF - UNC-BOG Allocations                        | \$ 4,016,672                 | \$ -                | \$ -                    |
| Other Indirect Allocations (1)                   | 189,503                      | 4,597               | -                       |
| <b>Total State Aid - Coronavirus Relief Fund</b> | N/A                          | <u>\$ 4,597</u>     | <u>\$ -</u>             |
| <b>Federal Aid - COVID-19:</b>                   |                              |                     |                         |
| HEERF - Student Allocation                       | \$ 5,283,027                 | \$ 4,376,550        | \$ 906,477              |
| HEERF - Institutional Allocation (3)             | 5,283,026                    | -                   | -                       |
| Other Indirect Awards                            | 107,923                      | -                   | -                       |
| <b>Total Federal Aid - COVID-19</b>              | N/A                          | <u>\$ 4,376,550</u> | <u>\$ 906,477</u>       |

(1) Includes amounts awarded after June 30, 2020.

(2) The Unearned Revenue Column represents funds that have been received as of June 30th for which incurred qualifying expenditures/uses of funds or other eligibility requirements for reporting as earned revenue have not yet been met including specified grantor/provider requirements.

(3) While the HEERF Institutional Portion is accounted for and recognized independently from the HEERF Student Portion, the CARES Act has a "Use of Funds" requirement that no less than 50% of the total HEERF Student and Institutional Portion funds must be used for emergency financial aid grants to students.

## NOTE 20 - 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).

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 \$1,308,731 for the year ended June 30, 2020. The University maintains a cash balance for Student Aid. This liability, or funds held for others, due to Student Aid was \$1,973,860, as of June 30, 2020.

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 \$120,391 for the year ended June 30, 2020. The University maintains a cash balance for the Foundation. This liability, or funds held for others, due to Foundation was \$1,274,416, as of June 30, 2020.

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 \$1,250 for the year ended June 30, 2020. The University maintains a cash balance for the Alumni. This liability, or funds held for others, due to Alumni was \$392,357, as of June 30, 2020.

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 \$11,292 for the year ended June 30, 2020. The University maintains a cash balance for Friends. This liability, or funds held for others, due to Friends was \$14,613, as of June 30, 2020.

All of these foundations are self-sustaining; however, the University does support their operations through donated administrative services. The University's 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 28403-5918, or by calling (910) 962-3139.

## NOTE 21 - BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component units for the year ended June 30, 2020, is presented as follows:

### Condensed Statement of Net Position June 30, 2020

|  | University     | The Donald R.<br>Watson<br>Foundation, Inc. | The UNCW<br>Corporation | The UNCW<br>Corporation II | The UNCW<br>Research<br>Foundation | Eliminations* | Total          |
|--|----------------|---|-------------------------|----------------------------|------------------------------------|---------------|----------------|
| <b>ASSETS</b>  |                |   |                         |                            |                                    |               |                |
| Current Assets                                       | \$ 180,989,124 | \$ 953                                      | \$ 47,171               | \$ -                       | \$ 472,438                         | \$ -          | \$ 181,509,686 |
| Capital Assets, Net                                  | 637,604,618    | -   | -                       | 1,929,054                  | 13,833                             | (13,833)      | 639,533,672    |
| Other Noncurrent Assets                              | 135,254,707    | 1,455,414                                   | -                       | -                          | -                                  | -             | 136,710,121    |
| Component Unit Receivable from<br>Primary Government | -              | -   | 119,750,673             | 1,038,135                  | -                                  | (120,788,808) | -              |
| Total Assets   | 953,848,449    | 1,456,367                                   | 119,797,844             | 2,967,189                  | 486,271                            | (120,802,641) | 957,753,479    |
| <b>TOTAL DEFERRED OUTFLOWS<br/>OF RESOURCES</b>      | 90,082,622     | -   | 5,735,483               | -                          | -                                  | (5,735,483)   | 90,082,622     |
| <b>LIABILITIES</b>                                   |                |   |                         |                            |                                    |               |                |
| Current Liabilities                                  | 31,063,413     | -   | 4,217,304               | 456,140                    | 3,340                              | -             | 35,740,197     |
| Long-Term Liabilities, Net                           | 427,117,195    | -   | 115,580,540             | 1,198,072                  | -                                  | -             | 543,895,807    |
| Other Noncurrent Liabilities                         | 10,192,856     | -   | -                       | -                          | -                                  | -             | 10,192,856     |
| Primary Government Payable to<br>Component Unit      | 120,788,808    | -   | -                       | -                          | -                                  | (120,788,808) | -              |
| Total Liabilities                                    | 589,162,272    | -   | 119,797,844             | 1,654,212                  | 3,340                              | (120,788,808) | 589,828,860    |
| <b>TOTAL DEFERRED OUTFLOWS<br/>OF RESOURCES</b>      | 109,501,651    | -   | 5,735,483               | -                          | -                                  | (5,735,483)   | 109,501,651    |
| <b>NET POSITION</b>                                  |                |   |                         |                            |                                    |               |                |
| Net Investment in Capital Assets                     | 404,652,714    | -   | -                       | 1,592,588                  | -                                  | -             | 406,245,302    |
| Restricted - Nonexpendable                           | 63,944,746     | 999,796                                     | -                       | -                          | -                                  | -             | 64,944,542     |
| Restricted - Expendable                              | 103,444,078    | 456,571                                     | -                       | -                          | 104,510                            | -             | 104,005,159    |
| Unrestricted   | (226,774,390)  | -   | -                       | (279,611)                  | 378,421                            | (13,833)      | (226,689,413)  |
| Total Net Position                                   | \$ 345,267,148 | \$ 1,456,367                                | \$ -                    | \$ 1,312,977               | \$ 482,931                         | \$ (13,833)   | \$ 348,505,590 |

\* The elimination net position amount of \$13,833 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**  
**For the Fiscal Year Ended June 30, 2020**

|  | University     | The Donald R. Watson Foundation, Inc. | The UNCW Corporation | The UNCW Corporation II | The UNCW Research Foundation | Eliminations* | Total          |
|--|----------------|---------------------------------------|----------------------|-------------------------|------------------------------|---------------|----------------|
| <b>OPERATING REVENUES</b>                |                |                                       |                      |                         |                              |               |                |
| Student Tuition and Fees, Net            | \$ 122,039,460 | \$ -                                  | \$ -                 | \$ -                    | \$ -                         | \$ -          | \$ 122,039,460 |
| Federal Grants and Contracts             | 6,997,052      | -                                     | -                    | -                       | -                            | -             | 6,997,052      |
| State and Local Grants and Contracts     | 3,029,367      | -                                     | -                    | -                       | -                            | -             | 3,029,367      |
| Nongovernmental Grants & Contracts       | 1,228,170      | -                                     | -                    | -                       | -                            | -             | 1,228,170      |
| Sales & Services, Net                    | 43,484,767     | -                                     | 4,953,009            | 56,167                  | 196,632                      | (5,021,852)   | 43,668,723     |
| Other Operating Revenues                 | 3,306,890      | 1,874                                 | 156,848              | 178,578                 | 240,566                      | (493,304)     | 3,391,452      |
| Total Operating Revenues                 | 180,085,706    | 1,874                                 | 5,109,857            | 234,745                 | 437,198                      | (5,515,156)   | 180,354,224    |
| <b>OPERATING EXPENSES</b>                |                |                                       |                      |                         |                              |               |                |
| Operating Expenses                       | 334,891,472    | 85,176                                | 156,848              | 65,522                  | 451,573                      | (640,362)     | 335,010,229    |
| Depreciation                             | 15,500,957     | -                                     | -                    | -                       | -                            | -             | 15,500,957     |
| Total Operating Expenses                 | 350,392,429    | 85,176                                | 156,848              | 65,522                  | 451,573                      | (640,362)     | 350,511,186    |
| Operating Income (Loss)                  | (170,306,723)  | (83,302)                              | 4,953,009            | 169,223                 | (14,375)                     | (4,874,794)   | (170,156,962)  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |                |                                       |                      |                         |                              |               |                |
| State Appropriations                     | 148,520,674    | -                                     | -                    | -                       | -                            | -             | 148,520,674    |
| State Aid - Coronavirus Relief Fund      | 4,597          | -                                     | -                    | -                       | -                            | -             | 4,597          |
| Student Financial Aid                    | 28,676,145     | -                                     | -                    | -                       | -                            | -             | 28,676,145     |
| Federal Aid - COVID-19                   | 4,376,550      | -                                     | -                    | -                       | -                            | -             | 4,376,550      |
| Noncapital Contributions, Net            | 4,591,810      | -                                     | -                    | -                       | 5,874                        | -             | 4,597,684      |
| Investment Income, Net                   | 5,416,587      | 14,591                                | -                    | -                       | -                            | (76,215)      | 5,354,963      |
| Interest & Fees on Debt                  | (8,211,089)    | -                                     | (4,953,009)          | (56,167)                | -                            | 4,953,009     | (8,267,256)    |
| Other Hurricane Losses                   | (22,218,079)   | -                                     | -                    | -                       | -                            | -             | (22,218,079)   |
| Hurricane Florence Insurance Recoveries  | 7,879,333      | -                                     | -                    | -                       | -                            | -             | 7,879,333      |
| Federal Interest Subsidy on Debt         | 344,151        | -                                     | -                    | -                       | -                            | -             | 344,151        |
| Other Nonoperating Expenses              | (520,422)      | -                                     | -                    | -                       | -                            | -             | (520,422)      |
| Net Nonoperating Revenues (Expenses)     | 168,860,257    | 14,591                                | (4,953,009)          | (56,167)                | 5,874                        | 4,876,794     | 168,748,340    |
| Capital Contributions                    | 38,994,358     | -                                     | -                    | 675,000                 | -                            | -             | 39,669,358     |
| Additions to Endowments                  | 2,543,186      | -                                     | -                    | -                       | -                            | -             | 2,543,186      |
| Total Other Revenues                     | 41,537,544     | -                                     | -                    | 675,000                 | -                            | -             | 42,212,544     |
| Increase (Decrease) in Net Position      | 40,091,078     | (68,711)                              | -                    | 788,056                 | (8,501)                      | 2,000         | 40,803,922     |
| <b>NET POSITION</b>                      |                |                                       |                      |                         |                              |               |                |
| Net Position, July 1, 2019 (as Restated) | 305,176,070    | 1,525,078                             | -                    | 524,921                 | 491,432                      | (15,833)      | 307,701,668    |
| Net Position, June 30, 2020              | \$ 345,267,148 | \$ 1,456,367                          | \$ -                 | \$ 1,312,977            | \$ 482,931                   | \$ (13,833)   | \$ 348,505,590 |

\* The elimination net position amount of \$13,833 is a result of the Research Foundation having a lower capitalization threshold than the University.

**Condensed Statement of Cash Flows**  
**June 30, 2020**

|   | University       | The Donald R. Watson Foundation, Inc. | The UNCW Corporation | The UNCW Corporation II | The UNCW Research Foundation | Total            |
|---|------------------|---------------------------------------|----------------------|-------------------------|------------------------------|------------------|
| Net Cash Provided (Used) by Operating Activities          | \$ (171,556,693) | \$ 952                                | \$ 6,408,096         | \$ 194,450              | \$ 13,525                    | \$ (164,939,670) |
| Net Cash Provided by Noncapital Financing Activities      | 190,773,470      | -                                     | -                    | -                       | -                            | 190,773,470      |
| Net Cash Used by Capital and Related Financing Activities | (55,103,061)     | -                                     | (6,360,925)          | (194,450)               | -                            | (61,658,436)     |
| Net Cash Provided (Used) by Investing Activities          | 6,562,871        | (523)                                 | -                    | -                       | -                            | 6,562,348        |
| Net Increase (Decrease) in Cash and Cash Equivalents      | (29,323,413)     | 429                                   | 47,171               | -                       | 13,525                       | (29,262,288)     |
| Cash and Cash Equivalents, July 1, 2019                   | 198,182,841      | 524                                   | -                    | -                       | 456,770                      | 198,640,135      |
| Cash and Cash Equivalents, June 30, 2020                  | \$ 168,859,428   | \$ 953                                | \$ 47,171            | \$ -                    | \$ 470,295                   | \$ 169,377,847   |

**NOTE 22 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2020, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period*

*GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance*

GASB Statement No. 89 establishes accounting requirements for interest costs incurred before the end of a construction period. Interest costs incurred before the end of a construction period are to be recognized as an expense in the period in which the costs are incurred for financial statements prepared using the economic resources measurement focus. Interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. The requirements of this Statement have been applied prospectively.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018.

**NOTE 23 - NET POSITION RESTATEMENT**

As of July 1, 2019, net position as previously reported was restated as follows:

|  | <u>Amount</u>                |
|--|------------------------------|
| July 1, 2019 Net Position as Previously Reported   | \$ 302,255,918               |
| Restatement:   |                              |
| Correct Error in the Total Cost Capitalized for the Administrative Annex in the Prior Year | <u>5,445,750</u>             |
| <b>July 1, 2019 Net Position as Restated</b>   | <b><u>\$ 307,701,668</u></b> |

# Required Supplementary Information

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

| <b>Teachers' and State Employees' Retirement System</b>                                | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   |
|--|---------------|---------------|---------------|---------------|
| Proportionate Share Percentage of<br>Collective Net Pension Liability                  | 0.42137%      | 0.38917%      | 0.37310%      | 0.35978%      |
| Proportionate Share of TSERS<br>Collective Net Pension Liability                       | \$ 43,683,247 | \$ 38,746,112 | \$ 29,603,399 | \$ 33,067,499 |
| Covered Payroll  | \$ 68,173,782 | \$ 62,252,744 | \$ 57,507,190 | \$ 53,596,237 |
| Proportionate Share of the Net Pension Liability<br>as a Percentage of Covered Payroll | 64.08%        | 62.24%        | 51.48%        | 61.70%        |
| Plan Fiduciary Net Position as a Percentage of the<br>Total Pension Liability          | 87.56%        | 87.61%        | 89.51%        | 87.32%        |
|  | <b>2016</b>   | <b>2015</b>   | <b>2014</b>   |               |
| Proportionate Share Percentage of<br>Collective Net Pension Liability                  | 0.35723%      | 0.36424%      | 0.38300%      |               |
| Proportionate Share of TSERS<br>Collective Net Pension Liability                       | \$ 13,164,633 | \$ 4,270,426  | \$ 23,252,003 |               |
| Covered Payroll  | \$ 53,297,118 | \$ 52,894,845 | \$ 55,820,098 |               |
| Proportionate Share of the Net Pension Liability<br>as a Percentage of Covered Payroll | 24.70%        | 8.07%         | 41.66%        |               |
| Plan Fiduciary Net Position as a Percentage of the<br>Total Pension Liability          | 94.64%        | 98.24%        | 90.60%        |               |

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

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending 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>2020</b>      | <b>2019</b>      | <b>2018</b>      | <b>2017</b>      | <b>2016</b>      |
|---|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution                                       | \$ 8,940,067     | \$ 8,378,558     | \$ 6,710,846     | \$ 5,739,218     | \$ 4,904,056     |
| Contributions in Relation to the<br>Contractually Determined Contribution | <u>8,940,067</u> | <u>8,378,558</u> | <u>6,710,846</u> | <u>5,739,218</u> | <u>4,904,056</u> |
| Contribution Deficiency (Excess)  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered Payroll   | \$ 68,928,811    | \$ 68,173,782    | \$ 62,252,744    | \$ 57,507,190    | \$ 53,596,237    |
| Contributions as a Percentage of<br>Covered Payroll                       | 12.97%           | 12.29%           | 10.78%           | 9.98%            | 9.15%            |
|   | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      |
| Contractually Required Contribution                                       | \$ 4,876,686     | \$ 4,596,562     | \$ 4,649,814     | \$ 4,220,585     | \$ 2,874,128     |
| Contributions in Relation to the<br>Contractually Determined Contribution | <u>4,876,686</u> | <u>4,596,562</u> | <u>4,649,814</u> | <u>4,220,585</u> | <u>2,874,128</u> |
| Contribution Deficiency (Excess)  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered Payroll   | \$ 53,297,118    | \$ 52,894,845    | \$ 55,820,098    | \$ 56,728,297    | \$ 58,298,735    |
| Contributions as a Percentage of<br>Covered Payroll                       | 9.15%            | 8.69%            | 8.33%            | 7.44%            | 4.93%            |

Note: Changes in 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, 2020***

*Changes of Benefit Terms:*

|  | <u>Cost of Living Increase</u> |             |             |             |             |             |             |             |             |             |
|--|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | <u>2018</u>                    | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Teachers' and State Employees' Retirement System | N/A                            | 1.00%       | N/A         | N/A         | N/A         | 1.00%       | N/A         | N/A         | N/A         | 2.20%       |

*Changes of Assumptions:* In 2015, 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, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.25% to 7.20% for the December 31, 2016 valuation. For the December 31, 2017 valuation, the discount rate was lowered to 7.00%.

The Boards of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, the plan now uses a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2019 *Comprehensive Annual 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 Four Fiscal Years\****

| <b>Retiree Health Benefit Fund</b>  | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|---------------|---------------|
| Proportionate Share Percentage of<br>Collective Net OPEB Liability                  | 0.82035%      | 0.74397%      | 0.70267%      | 0.77946%      |
| Proportionate Share of Collective<br>Net OPEB Liability                             | \$259,553,742 | \$211,944,551 | \$230,381,927 | \$339,091,594 |
| Covered Payroll   | \$145,968,903 | \$135,553,502 | \$124,750,663 | \$118,788,130 |
| Proportionate Share of the Net OPEB Liability<br>as a Percentage of Covered Payroll | 177.81%       | 156.35%       | 184.67%       | 285.46%       |
| Plan Fiduciary Net Position as a Percentage of the<br>Total OPEB Liability          | 4.40%         | 4.40%         | 3.52%         | 2.41%         |
| <b>Disability Income Plan of North Carolina</b>                                     |               |               |               |               |
| Proportionate Share Percentage of<br>Collective Net OPEB Asset                      | 0.83465%      | 0.78348%      | 0.76875%      | 0.72922%      |
| Proportionate Share of Collective<br>Net OPEB Asset                                 | \$ 360,151    | \$ 237,990    | \$ 469,860    | \$ 452,846    |
| Covered Payroll   | \$145,968,903 | \$135,553,502 | \$124,750,663 | \$118,788,130 |
| Proportionate Share of the Net OPEB Asset<br>as a Percentage of Covered Payroll     | 0.25%         | 0.18%         | 0.38%         | 0.38%         |
| Plan Fiduciary Net Position as a Percentage of the<br>Total OPEB Liability          | 113.00%       | 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 ending 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>2020</b>      | <b>2019</b>      | <b>2018</b>      | <b>2017</b>      | <b>2016</b>      |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution                                    | \$ 9,603,470     | \$ 9,152,250     | \$ 8,200,987     | \$ 7,252,952     | \$ 6,652,135     |
| Contributions in Relation to the Contractually Determined Contribution | <u>9,603,470</u> | <u>9,152,250</u> | <u>8,200,987</u> | <u>7,252,952</u> | <u>6,652,135</u> |
| Contribution Deficiency (Excess)                                       | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered Payroll  | \$ 148,430,764   | \$ 145,968,903   | \$ 135,553,502   | \$ 124,750,663   | \$ 118,788,130   |
| Contributions as a Percentage of Covered Payroll                       | 6.47%            | 6.27%            | 6.05%            | 5.81%            | 5.60%            |
|  | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      |
| Contractually Required Contribution                                    | \$ 6,275,091     | \$ 5,947,985     | \$ 5,809,294     | \$ 5,322,845     | \$ 5,329,549     |
| Contributions in Relation to the Contractually Determined Contribution | <u>6,275,091</u> | <u>5,947,985</u> | <u>5,809,294</u> | <u>5,322,845</u> | <u>5,329,549</u> |
| Contribution Deficiency (Excess)                                       | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered Payroll  | \$ 114,300,390   | \$ 110,147,863   | \$ 109,609,322   | \$ 106,456,906   | \$ 108,766,301   |
| Contributions as a Percentage of Covered Payroll                       | 5.49%            | 5.40%            | 5.30%            | 5.00%            | 4.90%            |
|  | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      |
| <b>Disability Income Plan of North Carolina</b>                        | <b>2020</b>      | <b>2019</b>      | <b>2018</b>      | <b>2017</b>      | <b>2016</b>      |
| Contractually Required Contribution                                    | \$ 148,431       | \$ 204,356       | \$ 189,775       | \$ 474,053       | \$ 487,031       |
| Contributions in Relation to the Contractually Determined Contribution | <u>148,431</u>   | <u>204,356</u>   | <u>189,775</u>   | <u>474,053</u>   | <u>487,031</u>   |
| Contribution Deficiency (Excess)                                       | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered Payroll  | \$ 148,430,764   | \$ 145,968,903   | \$ 135,553,502   | \$ 124,750,663   | \$ 118,788,130   |
| Contributions as a Percentage of Covered Payroll                       | 0.10%            | 0.14%            | 0.14%            | 0.38%            | 0.41%            |
|  | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      |
| Contractually Required Contribution                                    | \$ 468,632       | \$ 484,651       | \$ 482,281       | \$ 553,576       | \$ 565,585       |
| Contributions in Relation to the Contractually Determined Contribution | <u>468,632</u>   | <u>484,651</u>   | <u>482,281</u>   | <u>553,576</u>   | <u>565,585</u>   |
| Contribution Deficiency (Excess)                                       | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered Payroll  | \$ 114,300,390   | \$ 110,147,863   | \$ 109,609,322   | \$ 106,456,906   | \$ 108,766,301   |
| Contributions as a Percentage of Covered Payroll                       | 0.41%            | 0.44%            | 0.44%            | 0.52%            | 0.52%            |

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, 2020***

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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 four 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 four 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.

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

*Method and Assumptions Used in Calculations of Actuarially Determined Contributions:* An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following 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 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 2015, 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, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan 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 the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

For the actuarial valuation measured as of June 30, 2019, the discount rate for the RHBF was updated to 3.5%. Disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2019 Comprehensive Annual Financial Report.

# The Board of Trustees and University Officers

June 30, 2020

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*Associate Vice Chancellor for Business Services*

Dana Harris  
*Associate Vice Chancellor for Finance*

Sharyne A. Miller  
*Associate Vice Chancellor for ITS and Chief Information Officer*

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*Associate Vice Chancellor for Facilities*

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*Provost and Vice Chancellor for Academic Affairs*

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*Vice Chancellor for University Advancement*

Miles Lackey  
*Vice Chancellor for Business Affairs*

Brian Victor  
*Interim Vice Chancellor for Student Affairs*

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*Interim Dean, College of Arts and Sciences*

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*Dean, Graduate School and Executive Director of Marine Science*

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*Associate Vice Chancellor and Dean of Undergraduate Studies*

Van O. Dempsey  
*Dean, Watson College of Education*

Stuart Borrett  
*Associate Provost for Research and Innovation*

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# Other Information

## Statement of Net Position

For Year Ended June 30

|  | 2016           | 2017<br>(Restated) | 2018<br>(Restated) | 2019<br>(Restated) | 2020           |
|--|----------------|--------------------|--------------------|--------------------|----------------|
| <b>ASSETS</b>  |                |                    |                    |                    |                |
| Current Assets:  |                |                    |                    |                    |                |
| Cash and Cash Equivalents                                  | \$ 116,886,777 | \$ 125,390,256     | \$ 134,070,390     | \$ 130,510,682     | \$ 113,379,305 |
| Restricted Cash and Cash Equivalents                       | 18,438,230     | 17,158,936         | 23,221,682         | 41,316,589         | 37,274,783     |
| Receivables, Net   | 5,407,501      | 6,731,116          | 6,224,830          | 8,877,278          | 10,371,191     |
| Due from Primary Government                                | -              | -                  | -                  | 11,825,305         | 19,704,638     |
| Inventories  | 303,555        | 371,985            | 387,455            | 374,417            | 394,921        |
| Prepaid Items  | 319            | 319                | 239                | 5,000              | 77,455         |
| Notes Receivable, Net                                      | 436,647        | 391,165            | 449,714            | 305,391            | 307,393        |
| Total Current Assets                                       | 141,473,029    | 150,043,777        | 164,354,310        | 193,214,662        | 181,509,686    |
| Noncurrent Assets:   |                |                    |                    |                    |                |
| Restricted Cash and Cash Equivalents                       | 10,724,258     | 19,394,244         | 11,112,244         | 26,812,864         | 18,723,759     |
| Receivables, Net   | 662,785        | 3,331,252          | 2,108,557          | 6,284,528          | 5,402,070      |
| Prepaid Items  | 991,416        | 239                | -                  | -                  | -              |
| Restricted Due from Primary Government                     | -              | -                  | -                  | 32,851,242         | 14,576,548     |
| Endowment Investments                                      | 77,532,312     | 83,394,451         | 93,910,720         | 97,861,372         | 94,953,987     |
| Notes Receivable, Net                                      | 3,576,204      | 3,528,611          | 3,177,518          | 2,803,877          | 2,693,606      |
| Net Other Postemployment Benefits Asset                    | -              | 452,846            | 469,860            | 237,990            | 360,151        |
| Capital Assets - Nondepreciable                            | 19,342,137     | 26,837,268         | 33,530,683         | 71,742,094         | 70,210,260     |
| Capital Assets - Depreciable Net                           | 480,939,400    | 482,269,270        | 489,363,869        | 483,986,735        | 569,323,412    |
| Total Noncurrent Assets                                    | 593,768,512    | 619,208,181        | 633,673,451        | 722,580,702        | 776,243,793    |
| Total Assets   | 735,241,541    | 769,251,958        | 798,027,761        | 915,795,364        | 957,753,479    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                      |                |                    |                    |                    |                |
| Deferred Loss on Refunding                                 | 3,132,155      | 8,186,633          | 7,689,618          | 7,192,604          | 6,507,217      |
| Deferred Outflows Related to Pensions                      | 4,904,056      | 22,745,996         | 16,651,045         | 24,136,267         | 20,807,463     |
| Deferred Outflows Related to Other Postemployment Benefits | -              | 6,953,645          | 8,622,578          | 25,752,058         | 62,767,942     |
| Total Deferred Outflows of Resources                       | 8,036,211      | 37,886,274         | 32,963,241         | 57,080,929         | 90,082,622     |
| <b>LIABILITIES</b>   |                |                    |                    |                    |                |
| Current Liabilities:                                       |                |                    |                    |                    |                |
| Accounts Payable and Accrued Liabilities                   | 3,958,589      | 4,527,875          | 7,195,023          | 20,931,855         | 11,886,682     |
| Deposits Payable   | 28,497         | 23,967             | 29,245             | 39,039             | 60,361         |
| Unearned Revenue   | 8,340,515      | 7,872,224          | 7,600,654          | 8,511,754          | 11,273,217     |
| Interest Payable   | 1,912,968      | 1,702,479          | 1,635,645          | 1,731,549          | 1,265,092      |
| Long-Term Liabilities - Current Portion                    | 11,105,420     | 7,341,427          | 8,751,430          | 8,464,210          | 11,254,845     |
| Total Current Liabilities                                  | 25,345,989     | 21,467,972         | 25,211,997         | 39,678,407         | 35,740,197     |
| Noncurrent Liabilities:                                    |                |                    |                    |                    |                |
| Accounts Payable   | -              | -                  | -                  | -                  | 225,000        |
| Funds Held for Others                                      | 3,235,791      | 2,874,546          | 2,906,168          | 3,034,148          | 4,076,727      |
| Unearned Revenue   | -              | 6,356,795          | 5,679,377          | 4,377,525          | 3,489,916      |
| U.S. Government Grants Refundable                          | 3,389,212      | 3,436,471          | 3,245,925          | 3,227,176          | 2,401,213      |
| Long-Term Liabilities, Net                                 | 241,257,191    | 598,300,210        | 478,930,962        | 485,264,759        | 543,895,807    |
| Total Noncurrent Liabilities                               | 247,882,194    | 610,968,022        | 490,762,432        | 495,903,608        | 554,088,663    |
| Total Liabilities  | 273,228,183    | 632,435,994        | 515,974,429        | 535,582,015        | 589,828,860    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                       |                |                    |                    |                    |                |
| Deferred Gain on Refunding                                 | -              | 586,812            | 528,130            | 469,449            | 1,396,270      |
| Deferred Inflows Related to Pensions                       | 3,396,453      | 1,867,618          | 1,104,728          | 391,139            | 87,451         |
| Deferred Inflows Related to Other Postemployment Benefits  | -              | -                  | 108,070,109        | 128,732,022        | 108,017,930    |
| Total Deferred Inflows of Resources                        | 3,396,453      | 2,454,430          | 109,702,967        | 129,592,610        | 109,501,651    |
| <b>NET POSITION</b>  |                |                    |                    |                    |                |
| Net Investment in Capital Assets                           | 282,012,245    | 298,892,701        | 320,268,162        | 332,554,045        | 406,245,302    |
| Restricted - Nonexpendable                                 | 55,102,359     | 57,882,793         | 59,477,388         | 63,247,362         | 64,944,542     |
| Restricted - Expendable                                    | 32,356,514     | 43,703,885         | 45,311,045         | 123,466,571        | 104,005,159    |
| Unrestricted   | 97,181,998     | (228,231,571)      | (219,742,989)      | (211,566,310)      | (226,689,413)  |
| Net Position June 30                                       | \$ 466,653,116 | \$ 172,247,808     | \$ 205,313,606     | \$ 307,701,668     | \$ 348,505,590 |

## Other Information

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

For the Fiscal Year Ended June 30, as indicated

|   | 2016           | 2017*          | 2018<br>(Restated) | 2019<br>(Restated) | 2020           |
|---|----------------|----------------|--------------------|--------------------|----------------|
| <b>OPERATING REVENUES</b>                             |                |                |                    |                    |                |
| Student Tuition, Net                                  | \$ 74,083,669  | \$ 77,324,543  | \$ 79,650,661      | \$ 80,843,521      | \$ 85,937,333  |
| Student Fees, Net                                     | 32,008,741     | 33,718,868     | 34,694,165         | 34,578,583         | 36,102,127     |
| Student Tuition and Fees, Net                         | 106,092,410    | 111,043,411    | 114,344,826        | 115,422,104        | 122,039,460    |
| Federal Grants and Contracts                          | 5,999,522      | 5,934,265      | 5,688,485          | 7,252,396          | 6,997,052      |
| State and Local Grants and Contracts                  | 904,509        | 1,053,739      | 1,636,364          | 3,244,188          | 3,029,367      |
| Nongovernmental Grants and Contracts                  | 1,544,889      | 1,548,252      | 1,023,629          | 1,436,177          | 1,228,170      |
| Sales and Services, Net                               | 48,577,571     | 48,236,477     | 49,993,468         | 46,621,551         | 43,668,723     |
| Interest Earnings on Loans                            | 34,825         | 26,950         | 33,640             | 2,043              | -              |
| Other Operating Revenues                              | 5,951,746      | 7,073,485      | 3,263,630          | 3,043,268          | 3,391,452      |
| Total Operating Revenues                              | 169,105,472    | 174,916,579    | 175,984,042        | 177,021,727        | 180,354,224    |
| <b>OPERATING EXPENSES</b>                             |                |                |                    |                    |                |
| Salaries and Benefits                                 | 168,749,290    | 183,154,450    | 196,337,288        | 198,401,012        | 214,906,118    |
| Supplies and Services                                 | 80,060,591     | 81,042,293     | 88,417,477         | 81,944,021         | 80,729,975     |
| Capital Asset Impairment Loss, Net                    | -              | -              | -                  | 221,231            | -              |
| Scholarships and Fellowships                          | 18,811,150     | 17,603,566     | 20,208,747         | 23,778,223         | 32,152,476     |
| Utilities   | 8,103,167      | 7,751,968      | 7,335,943          | 7,685,078          | 7,221,660      |
| Depreciation  | 11,903,744     | 11,248,332     | 12,541,397         | 13,618,326         | 15,500,957     |
| Total Operating Expenses                              | 287,627,942    | 300,800,609    | 324,840,852        | 325,647,891        | 350,511,186    |
| Operating Loss  | (118,522,470)  | (125,884,030)  | (148,856,810)      | (148,626,164)      | (170,156,962)  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>               |                |                |                    |                    |                |
| State Appropriations                                  | 114,065,933    | 124,217,703    | 136,796,170        | 147,823,501        | 148,520,674    |
| State Aid - Coronavirus Relief Fund                   | -              | -              | -                  | -                  | 4,597          |
| Student Financial Aid                                 | 23,577,465     | 24,551,829     | 27,659,918         | 29,318,102         | 28,676,145     |
| Federal Aid - COVID-19                                | -              | -              | -                  | -                  | 4,376,550      |
| Noncapital Contributions, Net                         | 3,821,547      | 7,043,156      | 2,718,093          | 11,416,582         | 4,597,684      |
| Investment Income, Net                                | 950,929        | 10,636,097     | 11,764,740         | 9,383,245          | 5,354,963      |
| Interest and Fees on Debt                             | (10,262,909)   | (8,768,588)    | (8,703,357)        | (8,585,139)        | (8,267,256)    |
| Insurance Recoveries on Capital Asset Impairment, Net | -              | -              | -                  | 22,188,102         | -              |
| Other Hurricane Losses                                | -              | -              | -                  | (57,678,611)       | (22,218,079)   |
| Hurricane Florence Insurance Recoveries               | -              | -              | -                  | 31,226,266         | 7,879,333      |
| Federal Interest Subsidy on Debt                      | 697,046        | 693,815        | 690,487            | 687,987            | 344,151        |
| Other Nonoperating Revenues (Expenses)                | (98,406)       | (661,247)      | 245,668            | (321,629)          | (520,422)      |
| Net Nonoperating Revenues                             | 132,751,605    | 157,712,765    | 171,171,719        | 185,458,406        | 168,748,340    |
| Income (Loss) Before Other Revenues                   | 14,229,135     | 31,828,735     | 22,314,909         | 36,832,242         | (1,408,622)    |
| Capital Appropriations                                | 2,119,200      | 1,185,683      | 1,913,915          | 6,339,523          | -              |
| Capital Contributions                                 | 2,343,523      | 1,450,742      | 7,209,469          | 55,463,234         | 39,669,358     |
| Additions to Endowments                               | 2,397,133      | 2,814,635      | 1,627,505          | 3,753,063          | 2,543,186      |
| Total Other Revenues                                  | 6,859,856      | 5,451,060      | 10,750,889         | 65,555,820         | 42,212,544     |
| Increase in Net Position                              | \$ 21,088,991  | \$ 37,279,795  | \$ 33,065,798      | \$ 102,388,062     | \$ 40,803,922  |
| Net Position July 1                                   | 445,564,125    | 466,653,116    | 172,247,808        | 205,313,606        | 307,701,668    |
| Change in Net Position                                | 21,088,991     | 37,279,795     | 33,065,798         | 102,388,062        | 40,803,922     |
| Net Position June 30                                  | 466,653,116    | 503,932,911    | 205,313,606        | 307,701,668        | 348,505,590    |
| Net Position Adjustment                               | -              | (331,685,103)  | -                  | -                  | -              |
| Restated Net Position June 30                         | \$ 466,653,116 | \$ 172,247,808 | \$ 205,313,606     | \$ 307,701,668     | \$ 348,505,590 |

\*Note: The column for the year ended June 30, 2017 is not presented "as restated" above because actuarial calculations performed relative to the implementation of GASB 75 do not provide sufficient information to restate these amounts.



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