

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO

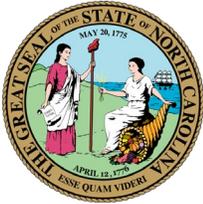
GREENSBORO, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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



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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of The University of North Carolina at Greensboro for the year ended June 30, 2021, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

Handwritten signature of Beth A. Wood.

Beth A. Wood, CPA
State Auditor



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State Auditor

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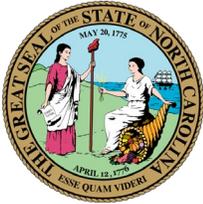
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Chapter 147, Article 5A of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of The University of North Carolina at Greensboro (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of The University of North Carolina at Greensboro, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., which represent 14.64 percent and 8.29 percent, respectively, of the assets and revenues of the University's business-type activities, and 100 percent of the assets and revenues of the University's fiduciary activities; The UNCG Excellence Foundation, Inc., which represent 14.13 percent and 7.48 percent, respectively, of the assets and revenues of the University's business-type activities; nor the Capital Facilities Foundation, Inc., which represent 0.97 percent and 0.01 percent, respectively, of the assets and revenues of the University's business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

Basis for Opinions

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

States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of North Carolina at Greensboro and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2021, The University of North Carolina at Greensboro adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 10, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS



Introduction

The University of North Carolina at Greensboro (the “University”) provides the following management discussion and analysis (MD&A) as an overview of the financial activities for the fiscal year ended June 30, 2021. This discussion, the following financial statements, required supplementary information, and the related notes to the financial statements have been prepared by management and comprise the University’s complete financial report.

The University is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State’s *Annual Comprehensive Financial Report*. The purpose of the MD&A is to identify significant transactions that have financial impact on the institution and to highlight trends. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the related financial statements, required supplementary information, and notes to the financial statements.

Using the Financial Report

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

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

The Statement of Fiduciary Net Position includes assets, liabilities, and net position for external pool participants in the University’s External Investment Fund that are held in a custodial

capacity. The Statement of Changes in Fiduciary Net Position reports the additions and deductions to these custodial funds during the period. See Note 1J for additional information regarding the University's fiduciary activities.

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

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

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

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

COVID-19

The COVID-19 pandemic had a significant impact on the University's operations and financial results for fiscal year 2021. While most administrative functions remained remote in fiscal year 2021, the University continued the Fall and Spring semesters in a hybrid of in-person and online classes. The University received \$18.2 million in federal funding from the Higher Education Emergency Relief Fund (HEERF) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These funds were distributed directly to students most severely affected by the pandemic. In addition, the University also used these funds to cover expenses associated with significant changes to the delivery of instruction due to the transition to remote learning and to partially reimburse housing and dining operations for lost revenue associated with the reduction of on-campus activity by students and staff. More information on the impact of COVID-19 can be found in Note 17 - The Coronavirus Pandemic Emergency.

Statement of Net Position

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

A condensed Statement of Net Position is reflected in the following table. The June 30, 2020 balances have been shown as restated due to the implementation of GASB Statement No. 84, *Fiduciary Activities*, in which the external participant's portion of the UNCG Endowment Partners, LP investment pool is now reported in a separate Statement of Fiduciary Net Position.

Condensed Statement of Net Position

	6/30/2021	6/30/2020 (as Restated)	Dollar Change	Percent Change
Assets				
Current Assets	\$ 183,529,791	\$ 165,502,407	\$ 18,027,384	10.9%
Noncurrent Capital Assets, Net of Accumulated Depreciation	826,365,886	832,048,604	(5,682,718)	(0.7%)
Other Noncurrent Assets	415,741,118	322,167,028	93,574,090	29.0%
Total Assets	1,425,636,795	1,319,718,039	105,918,756	8.0%
Deferred Outflows of Resources				
Deferred Loss on Refunding	4,631,338	5,361,486	(730,148)	(13.6%)
Deferred Outflows Related to Pensions	28,442,865	26,272,454	2,170,411	8.3%
Deferred Outflows Related to OPEB	61,859,153	65,749,869	(3,890,716)	(5.9%)
Total Deferred Outflows of Resources	94,933,356	97,383,809	(2,450,453)	(2.5%)
Liabilities				
Current Liabilities	38,849,758	39,574,150	(724,392)	(1.8%)
Long-Term Liabilities, Net	660,346,664	703,449,520	(43,102,856)	(6.1%)
Other Noncurrent Liabilities	7,830,963	8,993,019	(1,162,056)	(12.9%)
Total Liabilities	707,027,385	752,016,689	(44,989,304)	(6.0%)
Deferred Inflows of Resources				
Deferred Inflows for Irrevocable Split-Interest Agreements	86,841	85,370	1,471	1.7%
Deferred Inflows Related to Pensions	-	132,847	(132,847)	(100.0%)
Deferred Inflows Related to OPEB	143,200,524	137,015,347	6,185,177	4.5%
Total Deferred Inflows of Resources	143,287,365	137,233,564	6,053,801	4.4%
Net Position				
Net Investment in Capital Assets	524,029,898	507,243,178	16,786,720	3.3%
Restricted - Nonexpendable	176,776,115	166,971,578	9,804,537	5.9%
Restricted - Expendable	241,571,719	161,828,275	79,743,444	49.3%
Unrestricted	(272,122,331)	(308,191,436)	36,069,105	(11.7%)
Total Net Position	\$ 670,255,401	\$ 527,851,595	\$ 142,403,806	27.0%

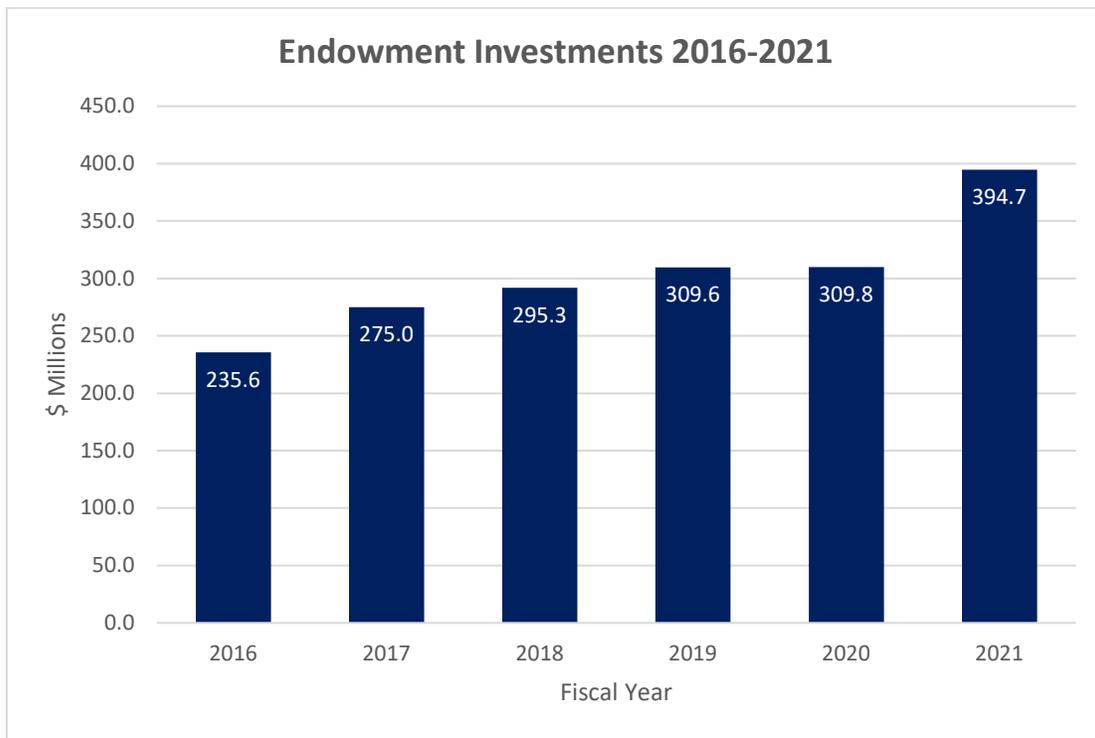
Assets

Total assets of the University increased by \$105.9 million over the prior year. This increase is the combination of a \$18.0 million increase in current assets and an increase of \$87.9 million in noncurrent assets.

Current assets increased as a result of a \$20.9 million increase in cash and cash equivalents (unrestricted and restricted), a \$2.3 million decrease in accounts receivable, and a \$0.6 million decrease in other current assets. The increase in cash and cash equivalents (unrestricted and restricted) is primarily due to a significant reduction in operating expenses caused by the majority of University operations being conducted in a remote environment during the fiscal year. The reduction in receivables is due to a reduction in intergovernmental receivables related to the receipt of a \$4.4 million HEERF receivable in the current year for COVID-19 related expenses incurred in the prior fiscal year.

Noncurrent assets increased primarily as a result of an \$84.9 million increase in endowment investments, an \$8.1 million increase in noncurrent restricted cash and cash equivalents, and a decrease of \$5.7 million in capital assets, net of accumulated depreciation. The increase in noncurrent restricted cash and cash equivalents is due to the University's \$8.2 million flexibility carryforward of unspent state appropriation being classified as noncurrent restricted cash and cash equivalents due to restrictions placed on the expenditure of these funds in the next fiscal year. The increase in endowment investments is primarily due to a substantial increase in

unrealized gains on investments due to increases in overall financial markets during the fiscal year. The growth in endowment investments over the last six fiscal years is shown in the graph below.



Liabilities

Total liabilities of the University decreased by \$45.0 million as of June 30, 2021. Included within this change noncurrent liabilities decreased by \$44.3 million while current liabilities decreased by \$0.7 million. This overall decrease in total liabilities consists of a \$34.4 million decrease in the net other postemployment benefits (OPEB) liability related to GASB Statement No. 75, a \$9.1 million increase in net pension liability, a \$17.1 million decrease in notes and bonds payable, and a \$2.6 million decrease in all other liability categories, both current and noncurrent.

The University has recognized its proportionate share of the State of North Carolina’s net OPEB liability for fiscal year 2021, which decreased when compared to the prior year. Additional information on the University’s OPEB plans is provided in Note 14 of the notes to the financial statements and in the required supplementary information.

The University has also recognized its proportionate share of the State of North Carolina’s net pension liability for fiscal year 2021, in accordance with GASB Statement No. 68. The overall net pension liability for the State of North Carolina increased in fiscal year 2021; thus, the University’s Statement of Net Position reflects a similar increase in net pension liability. Additional information on the University’s pension plans is provided in Note 13 of the notes to the financial statements and in the required supplementary information.

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources decreased by \$2.5 million primarily due to decreases in deferred outflows related to OPEB, which represent the University's contributions to the plans during the fiscal year, the proportionate share of the accumulated difference between projected and actual earnings on OPEB investments, changes in actuarial assumptions, and changes between employer contributions and the proportionate share of contributions for the plans.

Deferred inflows of resources increased by \$6.1 million primarily due to the increase of deferred inflows related to OPEB, which represents the University's proportionate share of the accumulated difference between actual and expected experience, changes in actuarial assumptions, and changes between employer contributions and the proportionate share of contributions for the plan (refer to Note 14 of the notes to the financial statements for details).

Net Position

Total net position increased by \$142.4 million over the prior year. Net position of the University is comprised of the following four categories:

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

Net investment in capital assets increased by \$16.8 million due to the payment of bond and note principal on capital asset-related debt, which increased the University's equity in capital assets financed by debt.

Restricted nonexpendable net position increased by \$9.8 million and represents primarily endowed gifts received and invested during the year.

Restricted expendable net position increased by \$79.7 million primarily due to increases in the value of endowment investments.

The University's unrestricted net position continues to be significantly affected by reporting changes required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Both GASB statements require the University to recognize its proportionate share of the net position of the State Pension Plan and Retiree Health Benefit Fund (RHBF) as a component of unrestricted net position. The total impact of recognizing the University's share of the State's Pension Plan and Retiree Health Benefit was a \$400.8 million decrease in unrestricted net position as of June 30, 2021. Refer to Note 10 - Net Position for additional information.

Unrestricted net position before the recognition of the proportionate share of the State plans was \$128.7 million, up \$18.3 million over the prior year. This amount represents unrestricted funds held by the University and the blended component units of the University.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

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

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

	6/30/2021	6/30/2020	Dollar Change	Percent Change
Operating Revenues				
Student Tuition and Fees, Net	\$ 103,732,998	\$ 114,749,020	\$ (11,016,022)	(9.6%)
Grants and Contracts	38,010,534	35,275,463	2,735,071	7.8%
Sales and Services, Net	41,375,783	48,293,586	(6,917,803)	(14.3%)
Interest Earnings on Loans	102,749	143,417	(40,668)	(28.4%)
Other Operating Revenues	3,128,057	1,280,994	1,847,063	144.2%
Total Operating Revenues	186,350,121	199,742,480	(13,392,359)	(6.7%)
Operating Expenses				
Salaries and Benefits	280,777,060	288,338,362	(7,561,302)	(2.6%)
Supplies and Services	80,136,962	91,419,118	(11,282,156)	(12.3%)
Scholarships and Fellowships	41,361,847	44,584,598	(3,222,751)	(7.2%)
Utilities	7,862,596	7,942,339	(79,743)	(1.0%)
Depreciation	24,614,292	23,231,036	1,383,256	6.0%
Total Operating Expenses	434,752,757	455,515,453	(20,762,696)	(4.6%)
Operating Loss	(248,402,636)	(255,772,973)	7,370,337	(2.9%)
Nonoperating Revenues (Expenses)				
State Appropriations	171,637,734	181,445,203	(9,807,469)	(5.4%)
State Aid - Coronavirus	5,155,610	116,120	5,039,490	4,339.9%
Student Financial Aid	62,427,962	63,497,280	(1,069,318)	(1.7%)
Federal Aid - COVID-19	19,023,663	12,227,440	6,796,223	55.6%
Noncapital Contributions	10,451,671	5,871,778	4,579,893	78.0%
Investment Income (Net of Investment Expense)	94,288,965	12,810,700	81,478,265	636.0%
Interest and Fees on Debt	(10,648,789)	(11,474,450)	825,661	(7.2%)
Other Nonoperating Expenses	(216,453)	(374,926)	158,473	(42.3%)
Net Nonoperating Revenues	352,120,363	264,119,145	88,001,218	33.3%
Income Before Other Revenues	103,717,727	8,346,172	95,371,555	1,142.7%
Other Revenues				
Capital Appropriations	8,179,044	-	8,179,044	
Capital Contributions	22,322,908	40,297,537	(17,974,629)	(44.6%)
Additions to Endowments	8,184,127	7,612,530	571,597	7.5%
Total Other Revenues	38,686,079	47,910,067	(9,223,988)	(19.3%)
Increase in Net Position	142,403,806	56,256,239	86,147,567	153.1%
Net Position - July 1	527,851,595	471,595,356	56,256,239	11.9%
Net Position - June 30	\$ 670,255,401	\$ 527,851,595	\$ 142,403,806	27.0%
Reconciliation of Changes in Net Position				
Total Revenues	\$ 588,021,805	\$ 523,621,068	\$ 64,400,737	12.3%
Less: Total Expenses	445,617,999	467,364,829	(21,746,830)	(4.7%)
Increases in Net Position	\$ 142,403,806	\$ 56,256,239	\$ 86,147,567	153.1%

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of \$142.4 million at the end of the year. Total revenues for the fiscal year were \$588.0 million, up \$64.4 million (12.3%) from the prior year. Total expenses were \$445.6 million, down \$21.7 million (4.7%) from the prior year. Highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- Operating revenues decreased by \$13.4 million (6.7%) from the prior year. Student tuition and fees, net, declined by \$11.0 million (9.6%), and sales and services, net, declined by \$6.9 million (14.3%) due to the continuing effects of the COVID-19 pandemic limiting on-campus activities and impacting enrollment in a negative manner. The majority of classes (71%) were delivered online with a reduction in total credit hours of 20,631 (4%) when compared to FY 19-20. Grants and contracts (federal, state, and nongovernmental) increased by \$2.7 million (7.8%) over the prior year due to increases in federally funded research activity at the University.
- Overall operating expenses decreased by \$20.8 million (4.6%) compared to the prior year. This decrease is primarily in the supplies and services category, \$11.3 million (12.3%), and the salaries and benefits category, \$7.6 million (2.6%), which are both related to the COVID-19 pandemic. Services declined sharply due to significant decreases in on-campus dining reducing the cost of food, a significant decrease in expenditures related to travel, and decreases in expenses related to athletics. Reductions in salaries and benefits are due to reductions in staffing and vacant positions as well as a \$2.0 million reduction in OPEB expense.
- Net nonoperating revenues increased by \$88.0 million (33.3%). The primary driver of this increase is investment income, net of investment expense, which increased by \$81.5 million compared to the prior year due to broad increases in the value of all investments. State appropriations decreased by \$9.8 million (5.4%) due to \$8.2 million in unspent state appropriations being reclassified from state appropriations to capital appropriations due to the restriction that these funds must be spent on repair and replacement projects in the next fiscal year. The University continued to receive federal aid to combat the COVID-19 pandemic. The \$19.0 million received, including \$10.5 million for direct student aid, was \$6.8 million greater than the prior year.
- Other revenues for fiscal year 2021 consist of capital appropriations, capital contributions, and additions to endowments. Capital appropriations represent the amount of unspent state appropriations (discussed in the preceding paragraph) that are restricted for use on repair and replacement projects in the next fiscal year. Capital contributions primarily consisted of \$22.0 million in capital grants received during fiscal year 2021 to fund the construction of the new Nursing and Instructional Building, which was completed and occupied during fiscal year 2021. The University received \$8.2 million in endowment gifts during the fiscal year, which was an increase of \$0.6 million over the prior fiscal year.

Capital Assets and Debt Administration

During fiscal year 2021, the Nursing and Instructional Building (a \$105.6 million project) and the renovations to the Ragsdale-Mendenhall residence hall were completed and capitalized.

Major projects included in construction in progress consist of the Moore Nursing Building renovation and the Oakland Parking Deck Expansion, both of which are still in the advance planning stage.

On May 21, 2021, the University issued \$1,966,000 in direct placement General Revenue Refunding Bonds, Series 2021A, with an average interest rate of 1.29%. The bonds were issued for a current refunding of \$1,940,000 of outstanding General Revenue Bonds, Series 2011, with an average interest rate of 4.20%. The refunding was undertaken to reduce total debt service payments by \$184,870 over the next six years and resulted in an economic gain of \$177,788.

On May 21, 2021, the University issued \$13,921,000 in direct placement General Revenue Refunding Bonds, Series 2021B, with an average interest rate of 2.16%. The bonds were issued to advance refund \$13,280,000 of outstanding General Revenue Bonds, Series 2012A, with an average interest rate of 4.04%. The net proceeds of the refunding bonds (along with other resources) were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the University's Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments by \$1,499,941 over the next 16 years and resulted in an economic gain of \$1,293,184.

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

Economic and Strategic Outlook

The COVID-19 pandemic continues to significantly impact University operations and finances. The University operated during the 20-21 academic year in a primarily remote environment, with 71% of credit hours delivered in an online format and only 29% of credit hours delivered with a mixture of face-to-face and online and hybrid classes. This mix led to significantly less activity on campus and significant declines in housing, dining, and other auxiliary revenues. Although the University is open for Fall 2021, with 48.6% of credit hours being delivered in an online format and 51.4% of credit hours being delivered in a face-to-face or hybrid format, enrollment continues to decline with Fall 2021 headcount enrollment down 726 students (3.7%) compared to the Fall semester of the prior year.

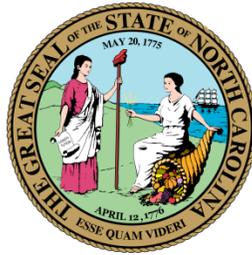
The University is directly addressing enrollment through the establishment of the Division of Enrollment Management which reports directly to the Chancellor and is responsible for facilitating the recruitment, retention, and graduation of a talented and diverse student population. While overall headcount enrollment declined, the University continues to see an increase in graduate student enrollment, which grew by 2.4% when compared to the Fall 2020 semester.

Despite the COVID-19 pandemic, the University has maintained its commitment to research, as evidenced by an increase of \$2.7 million (7.8%) in grant activity compared to the prior year. The University will continue to invest in research infrastructure to drive faculty scholarship, to create a robust scholarly environment, and to create a greater community impact.

In March of 2016, North Carolina voters approved the Connect NC Bonds, which provided the University with \$105.0 million for the construction of a new Nursing and Instructional Building

on the main campus. Construction began in early 2018, resulting in a four-story structure that houses the entire School of Nursing. This facility, opened in January 2021, provides teaching and flexible laboratory space for the Biology, Chemistry, and Health and Human Services departments, and enhances the University's commitment to impactful research in the sciences and health fields.

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



FINANCIAL STATEMENTS

The University of North Carolina at Greensboro
Statement of Net Position
Proprietary Fund
June 30, 2021

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 125,978,402
Restricted Cash and Cash Equivalents	27,770,901
Short-Term Investments	307,019
Restricted Short-Term Investments	9,366,418
Receivables, Net (Note 5)	18,532,774
Inventories	582,571
Notes Receivable, Net (Note 5)	862,575
Other Assets	129,131
	<hr/>
Total Current Assets	183,529,791

Noncurrent Assets:

Restricted Cash and Cash Equivalents	16,040,596
Receivables	2,831,914
Endowment Investments	394,717,536
Other Investments	739,500
Notes Receivable, Net (Note 5)	896,722
Net Other Postemployment Benefits Asset	514,850
Capital Assets - Nondepreciable (Note 6)	75,734,604
Capital Assets - Depreciable, Net (Note 6)	750,631,282
	<hr/>
Total Noncurrent Assets	1,242,107,004

Total Assets

1,425,636,795

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	4,631,338
Deferred Outflows Related to Pensions	28,442,865
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	61,859,153
	<hr/>
Total Deferred Outflows of Resources	94,933,356

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	11,952,781
Due to State of North Carolina Component Units	1,658
Deposits Payable	682,710
Funds Held for Others	38,355
Unearned Revenue	6,667,775
Interest Payable	2,988,938
Long-Term Liabilities - Current Portion (Note 8)	16,517,541
	<hr/>
Total Current Liabilities	38,849,758

Noncurrent Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	58,285
Funds Held for Others	4,790,602
U.S. Government Grants Refundable	2,982,076
Long-Term Liabilities, Net (Note 8)	660,346,664
	<hr/>
Total Noncurrent Liabilities	668,177,627

Total Noncurrent Liabilities

668,177,627

Total Liabilities

707,027,385

The University of North Carolina at Greensboro
Statement of Net Position
Proprietary Fund
June 30, 2021

Exhibit A-1
Page 2 of 2

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows for Irrevocable Split-Interest Agreements	86,841
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	<u>143,200,524</u>
Total Deferred Inflows of Resources	<u>143,287,365</u>

NET POSITION

Net Investment in Capital Assets	<u>524,029,898</u>
Restricted:	
Nonexpendable:	
True Endowments	166,753,366
Student Loans and Other	<u>10,022,749</u>
Total Restricted-Nonexpendable Net Position	<u>176,776,115</u>
Expendable:	
Scholarships, Research, Instruction, and Other	226,010,898
Student Loans	565,453
Capital Projects	14,995,302
Debt Service	<u>66</u>
Total Restricted-Expendable Net Position	<u>241,571,719</u>
Unrestricted	<u>(272,122,331)</u>
Total Net Position	<u>\$ 670,255,401</u>

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

The University of North Carolina at Greensboro
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 11)	\$ 103,732,998
Federal Grants and Contracts	26,449,743
State and Local Grants and Contracts	9,928,005
Nongovernmental Grants and Contracts	1,632,786
Sales and Services, Net (Note 11)	41,375,783
Interest Earnings on Loans	102,749
Other Operating Revenues	3,128,057
	<hr/>
Total Operating Revenues	186,350,121

OPERATING EXPENSES

Salaries and Benefits	280,777,060
Supplies and Services	80,136,962
Scholarships and Fellowships	41,361,847
Utilities	7,862,596
Depreciation	24,614,292
	<hr/>
Total Operating Expenses	434,752,757
	<hr/>
Operating Loss	(248,402,636)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	171,637,734
State Aid - Coronavirus	5,155,610
Student Financial Aid	62,427,962
Federal Aid - COVID-19	19,023,663
Noncapital Contributions	10,451,671
Investment Income (Net of Investment Expense of \$1,920,000)	94,288,965
Interest and Fees on Debt	(10,648,789)
Other Nonoperating Expenses	(216,453)
	<hr/>
Net Nonoperating Revenues	352,120,363
	<hr/>
Income Before Other Revenues	103,717,727
	<hr/>
Capital Appropriations	8,179,044
Capital Contributions	22,322,908
Additions to Endowments	8,184,127
	<hr/>
Total Other Revenues	38,686,079
	<hr/>
Increase in Net Position	142,403,806

NET POSITION

Net Position - July 1, 2020	527,851,595
	<hr/>
Net Position - June 30, 2021	\$ 670,255,401
	<hr/> <hr/>

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

The University of North Carolina at Greensboro
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 183,367,429
Payments to Employees and Fringe Benefits	(293,217,030)
Payments to Vendors and Suppliers	(90,179,181)
Payments for Scholarships and Fellowships	(41,361,847)
Loans Issued	(105,568)
Collection of Loans	485,251
Interest Earned on Loans	102,749
William D. Ford Direct Lending Receipts	81,932,450
William D. Ford Direct Lending Disbursements	(81,932,450)
Related Activity Agency Receipts	3,543,105
Other Receipts	2,806,008
	<hr/>
Net Cash Used by Operating Activities	(234,559,084)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	171,637,734
State Aid - Coronavirus	5,155,610
Student Financial Aid	61,745,517
Federal Aid - COVID-19	22,485,230
Noncapital Contributions	5,375,600
Additions to Endowments	8,184,127
	<hr/>
Total Cash Provided by Noncapital Financing Activities	274,583,818

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Capital Appropriations	8,179,044
Capital Contributions	21,937,177
Proceeds from Sale of Capital Assets	34,494
Acquisition and Construction of Capital Assets	(24,278,391)
Principal Paid on Capital Debt	(13,685,037)
Interest and Fees Paid on Capital Debt	(13,615,464)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(21,428,177)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	17,284,296
Investment Income	2,089,668
Purchase of Investments and Related Fees	(8,982,912)
	<hr/>
Net Cash Provided by Investing Activities	10,391,052
	<hr/>
Net Increase in Cash and Cash Equivalents	28,987,609
	<hr/>
Cash and Cash Equivalents - July 1, 2020	140,802,290
	<hr/>
Cash and Cash Equivalents - June 30, 2021	\$ 169,789,899

The University of North Carolina at Greensboro
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (248,402,636)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	24,614,292
Allowances and Write-Offs	161,815
Other Nonoperating Expense	(250,945)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(2,886,929)
Inventories	(9,420)
Notes Receivable, Net	628,926
Net Other Postemployment Benefits Asset	(72,554)
Deferred Outflows Related to Pensions	(2,170,411)
Deferred Outflows Related to Other Postemployment Benefits	3,890,717
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(2,171,674)
Funds Held for Others	3,567,203
Unearned Revenue	2,844,527
Net Pension Liability	9,136,824
Net Other Postemployment Benefits Liability	(29,499,402)
Compensated Absences	(442,063)
Deposits Payable	128,700
Workers' Compensation Liability	320,145
Deferred Inflows for Irrevocable Split-Interest Agreements	1,471
Deferred Inflows Related to Pensions	(132,847)
Deferred Inflows Related to Other Postemployment Benefits	6,185,177
Net Cash Used by Operating Activities	<u>\$ (234,559,084)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 123,918
Assets Acquired through a Gift	385,731
Change in Fair Value of Investments	89,136,555
Loss on Disposal of Capital Assets	(216,453)
Bond Issuance Cost Withheld	108,000
Amortization of Bond Premiums	(3,531,542)
Amortization of Deferred Loss on Refunding Bonds	(730,148)
Increase in Receivables Related to Nonoperating Revenues	261,658
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(4,855,470)
Funds Escrowed to Defeas Debt	15,779,000

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

The University of North Carolina at Greensboro
Statement of Fiduciary Net Position
Fiduciary Fund - Custodial Funds
June 30, 2021

Exhibit B-1

	<u>External Investment Pool Funds</u>
ASSETS	
Investments (Note 2):	
Pooled Investment Funds	\$ 768,337
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	-
LIABILITIES	
Total Liabilities	-
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	-
NET POSITION	
Restricted for:	
Pool Participants	768,337
Total Net Position	<u>\$ 768,337</u>

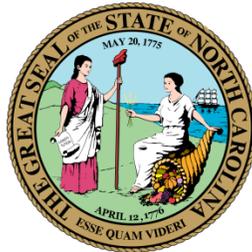
The accompanying notes to the financial statements are an integral part of this statement.

**The University of North Carolina at Greensboro
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Custodial Funds
June 30, 2021**

Exhibit B-2

	<u>External Investment Pool Funds</u>
ADDITIONS	
Investment Activity:	
Investment Income	\$ 182,657
Investment Expenses	<u>(11,000)</u>
Net Investment Income	<u>171,657</u>
DEDUCTIONS	
Withdrawals and Distributions	<u>23,549</u>
Increase in Fiduciary Net Position	148,108
NET POSITION	
Net Position - July 1, 2020, as Restated (Note 21)	<u>620,229</u>
Net Position - June 30, 2021	<u>\$ 768,337</u>

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The UNCG Excellence Foundation, Inc. is governed by a 44-member board consisting of two ex officio directors and 42 appointed directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro as long as The University of North Carolina at Greensboro qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954 (or corresponding provisions of any future United States Internal Revenue law), its financial statements have been blended with those of the University.

The University of North Carolina at Greensboro Weatherspoon Arts Foundation is governed by a 27-member board consisting of three ex officio directors and 24 appointed directors. The Foundation's purpose is to acquire by gift, purchase, lease, loan, or other means of conveyance

works of art and to maintain and enhance the arts collection teaching, research, and public services purposes exclusively for the use and benefit of The University of North Carolina at Greensboro. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The Capital Facilities Foundation, Inc. is governed by a 10-member board consisting of five ex officio directors and five appointed directors. The Foundation's purpose is to enhance the University's educational mission through assisting with the acquisition, development, financing, construction, management, and operation of capital assets for the University. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The University of North Carolina at Greensboro Investment Fund, Inc. (the Fund) was formed to consolidate the endowment pool investments of The Endowment Fund of The University of North Carolina at Greensboro, the blended component units of the University, and certain affiliated entities and is classified as a governmental external investment pool. The Fund is the fiscal agent for the pool, and all units of the pool are owned by internal and external participants. The internal participants of the pool are The Endowment Fund of The University of North Carolina at Greensboro and The UNCG Excellence Foundation, Inc. The external participant of the pool is The Associated Campus Ministries of The University of North Carolina at Greensboro. The Fund is governed by a 10-member board consisting of four ex officio directors and six appointed directors. The Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. Because the directors of the Investment Fund are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Investment Fund's primary purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

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

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

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in

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

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

Fiduciary Fund - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds.

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

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

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

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

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

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	25-50 years
Machinery and Equipment	2-20 years
General Infrastructure	25-50 years

- I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, and endowment and other restricted investments.

- J. Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

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

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

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

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2020 *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 13 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2020 *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 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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

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

- M. Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net 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:

Proprietary Fund

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

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

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

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

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

Fiduciary Fund

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

- O. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.
- P. Revenue and Expense Recognition** - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

At June 30, 2021, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$158,624,879, 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, 2021. 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, 2021 was \$32,964. The carrying amount of the University's deposits not with the State Treasurer was \$11,132,056, and the bank balance was \$11,108,930. 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, 2021, \$9,772,235 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

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

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

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

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

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

Investments of The UNCG Excellence Foundation, Inc. and The University of North Carolina at Greensboro Investment Fund, Inc. are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements.

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

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

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University's formal policy limits some fixed income holdings to those that have a high quality rating (AA/Aa or better) and those with a sufficient duration (four years or more) to provide effective protection in a deflationary environment.

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

External Investment Pool - The University of North Carolina at Greensboro Investment Fund, Inc., an External Investment Pool sponsored by the University, was established on July 1, 1992. The Pool is utilized to manage the investments for charitable, nonprofit organizations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. Endowment funds of the University, as well as those of The UNCG Excellence Foundation, Inc., represent the Pool's internal participants. The Associated Campus Ministries of The University of North Carolina at Greensboro is not included in the University's reporting entity and represents the Pool's external participant. Fund ownership of the Pool is measured using the unit market value method. Under this method, each participating fund's investment balance is determined based on the number of units of ownership purchased when joining the Pool. Thereafter, the pooled assets are valued monthly, and a new market value is determined. The external portion of

the Pool is presented in the accompanying fiduciary fund financial statements.

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

Cambridge Associates Resources, LLC serves as the outsourced chief investment officer for the Pool and provides the University with monthly statements defining income and fair value information, which is then allocated among the fund's participants. There are no involuntary participants in the Pool. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Pool's investments. The annual financial report for the External Investment Pool may be obtained from the Finance and Administration Office, 254 Mossman, Greensboro, NC 27402, or by calling (336) 334-5200.

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

The following table presents investments by type and investments subject to interest rate risk at June 30, 2021, for the External Investment Pool.

External Investment Pool

Investment Type	<u>Amount</u>
Partnerships:	
UNCG Endowment Partners, LP	<u>\$ 392,147,990</u>

Non-Pooled Investments - The following table presents investments by type and investments subject to interest rate risk at June 30, 2021, for the University's non-pooled investments.

Non-Pooled Investments

Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Money Market Funds	\$ 66	\$ 66	\$ -	\$ -
Mutual Bond Funds	3,252,635	-	760,250	2,492,385
Total Debt Securities	3,252,701	<u>\$ 66</u>	<u>\$ 760,250</u>	<u>\$ 2,492,385</u>
Other Securities				
Mutual Funds	6,709,583			
Corporate Securities:				
Common Stocks	3,049,036			
Investments in Real Estate	739,500			
Total Non-Pooled Investment Pool	<u>\$ 13,750,820</u>			

At June 30, 2021, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa	A	BB/Ba and below
Money Market Funds	\$ 66	\$ 66	\$ -	\$ -	\$ -
Mutual Bond Funds	3,252,635	975,945	7,159	1,509,281	760,250
Totals	<u>\$ 3,252,701</u>	<u>\$ 976,011</u>	<u>\$ 7,159</u>	<u>\$ 1,509,281</u>	<u>\$ 760,250</u>

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

Total Investments - The following table presents the total investments at June 30, 2021:

Investment Type	Amount
Debt Securities	
Money Market Funds	\$ 66
Mutual Bond Funds	3,252,635
Other Securities	
Mutual Funds	6,709,583
Corporate Securities:	
Common Stocks	3,049,036
Investments in Real Estate	739,500
Partnerships:	
UNCG Endowment Partners, LP	392,147,990
Total Investments	\$ 405,898,810

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the University as of June 30, 2021, is as follows:

	Proprietary Fund	Fiduciary Fund	Total
Cash on Hand	\$ 32,964	\$ -	\$ 32,964
Amount of Deposits with Private Financial Institutions	11,132,056	-	11,132,056
Deposits in the Short-Term Investment Fund	158,624,879	-	158,624,879
External Investment Pool	391,379,653	768,337	392,147,990
Non-Pooled Investments	13,750,820	-	13,750,820
Total Deposits and Investments	\$ 574,920,372	\$ 768,337	\$ 575,688,709
Deposits			
Current			
Cash and Cash Equivalents	\$ 125,978,402	\$ -	\$ 125,978,402
Restricted Cash and Cash Equivalents	27,770,901	-	27,770,901
Noncurrent			
Restricted Cash and Cash Equivalents	16,040,596	-	16,040,596
Total Deposits	169,789,899	-	169,789,899
Investments			
Current			
Short-Term Investments	307,019	-	307,019
Restricted Short-Term Investments	9,366,418	-	9,366,418
Noncurrent			
Endowment Investments	394,717,536	-	394,717,536
Pooled Investment Funds	-	768,337	768,337
Other Investments	739,500	-	739,500
Total Investments	405,130,473	768,337	405,898,810
Total Deposits and Investments	\$ 574,920,372	\$ 768,337	\$ 575,688,709

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the University's investments are recorded at fair value as of June 30, 2021. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

The following table summarizes the University's proprietary and fiduciary fund investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2021:

	Fair Value Measurements Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Money Market Funds	\$ 66	\$ 66	\$ -	\$ -
Mutual Bond Funds	3,252,635	3,252,635	-	-
Total Debt Securities	3,252,701	3,252,701	-	-
Other Securities				
Mutual Funds	6,709,583	6,709,583	-	-
Corporate Securities:				
Common Stocks	3,049,036	3,049,036	-	-
Investments in Real Estate	739,500	-	-	739,500
Total Investments by Fair Value Level	13,750,820	\$ 13,011,320	\$ -	\$ 739,500
Investments Measured at the Net Asset Value (NAV)				
Partnerships:				
UNCG Endowment Partners, LP	392,147,990			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	158,624,879			
Total Investments Measured at Fair Value	\$ 564,523,689			

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.

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

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

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2021.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Partnerships:				
UNCG Endowment Partners, LP	<u>\$392,147,990</u>	N/A	N/A	N/A

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

NOTE 4 - ENDOWMENT INVESTMENTS

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

Investment return of the University’s endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's pooled endowment funds for 2021 and 2020 are equal to 4.00 and 4.00 percent, respectively, of the average market value of the Investment Pool at December 31 for the past three years. Under this policy, the prior year spending percentage is increased by the inflation rate to determine the current year spending percentage. 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, 2021, net appreciation of \$193,295,749 was available to be spent, of which \$184,016,001 was classified in net position

as restricted expendable for student loans and scholarships, research, instruction, and other as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

During the current year, the University incurred investment losses that exceeded the related endowment's available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2021 the amount of investment losses reported against the nonexpendable endowment balances was \$5,310.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2021, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 3,067,712	\$ 865,195	\$ 2,202,517
Student Sponsors	5,094,435	-	5,094,435
Intergovernmental	8,626,365	-	8,626,365
Pledges	1,702,274	6,148	1,696,126
Investment Earnings	3,037	-	3,037
Interest on Loans	103,199	-	103,199
Other	807,095	-	807,095
Total Current Receivables	<u>\$19,404,117</u>	<u>\$ 871,343</u>	<u>\$18,532,774</u>
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 778,811	\$ 89,280	\$ 689,531
Institutional Student Loan Programs	334,947	161,903	173,044
Total Notes Receivable - Current	<u>\$ 1,113,758</u>	<u>\$ 251,183</u>	<u>\$ 862,575</u>
Notes Receivable - Noncurrent:			
Federal Loan Programs	<u>\$ 1,020,023</u>	<u>\$ 123,301</u>	<u>\$ 896,722</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, Nondepreciable:				
Land	\$ 50,901,716	\$ -	\$ 264,686	\$ 50,637,030
Art, Literature, and Artifacts	24,127,429	385,731	-	24,513,160
Construction in Progress	104,539,100	15,600,452	119,555,138	584,414
Total Capital Assets, Nondepreciable	179,568,245	15,986,183	119,819,824	75,734,604
Capital Assets, Depreciable:				
Buildings	797,342,002	119,051,528	-	916,393,530
Machinery and Equipment	66,186,192	3,461,024	1,141,848	68,505,368
General Infrastructure	85,705,511	503,610	-	86,209,121
Total Capital Assets, Depreciable	949,233,705	123,016,162	1,141,848	1,071,108,019
Less Accumulated Depreciation for:				
Buildings	209,703,010	18,264,425	-	227,967,435
Machinery and Equipment	36,265,132	3,397,297	890,901	38,771,528
General Infrastructure	50,785,204	2,952,570	-	53,737,774
Total Accumulated Depreciation	296,753,346	24,614,292	890,901	320,476,737
Total Capital Assets, Depreciable, Net	652,480,359	98,401,870	250,947	750,631,282
Capital Assets, Net	\$ 832,048,604	\$ 114,388,053	\$ 120,070,771	\$ 826,365,886

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2021, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 668,229
Accounts Payable - Capital Assets	115,633
Accrued Payroll	7,279,785
Other	3,889,134
Total Current Accounts Payable and Accrued Liabilities	\$ 11,952,781
Noncurrent Accounts Payable and Accrued Liabilities	
Contract Retainage	\$ 58,285

NOTE 8 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 270,545,000	\$ -	\$ 25,910,000	\$ 244,635,000	\$ 10,740,000
Bonds from Direct Placements	16,257,000	15,887,000	3,322,139	28,821,861	3,800,906
Plus: Unamortized Premium	25,483,668	-	3,531,542	21,952,126	-
Total Revenue Bonds Payable and Bonds from Direct Placements, Net	312,285,668	15,887,000	32,763,681	295,408,987	14,540,906
Notes from Direct Borrowings	8,766,913	-	231,898	8,535,015	237,649
Total Long-Term Debt	321,052,581	15,887,000	32,995,579	303,944,002	14,778,555
Other Long-Term Liabilities					
Annuities and Life Income Payable	5,127,642	-	219,189	4,908,453	-
Employee Benefits					
Compensated Absences	16,753,117	12,448,776	12,890,839	16,311,054	782,600
Net Pension Liability	54,952,129	9,136,824	-	64,088,953	-
Net Other Postemployment Benefits Liability	317,803,677	-	34,354,872	283,448,805	-
Workers' Compensation	3,842,793	392,700	72,555	4,162,938	956,386
Total Other Long-Term Liabilities	398,479,358	21,978,300	47,537,455	372,920,203	1,738,986
Total Long-Term Liabilities, Net	\$ 719,531,939	\$ 37,865,300	\$ 80,533,034	\$ 676,864,205	\$ 16,517,541

Additional information regarding the net pension liability is included in Note 13.

Additional information regarding the net other postemployment benefits liability is included in Note 14.

Additional information regarding workers' compensation is included in Note 15.

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

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2021	Principal Outstanding June 30, 2021
Revenue Bonds Payable						
General Revenue Bonds						
Refund Series 2002A and 2004C - Housing, Athletics, Police Building, and Dining	2012A	5.00%	04/01/2022	\$ 52,360,000	\$ 50,275,000	\$ 2,085,000
Student Recreation Center and Housing	2014	4.00%-5.00%	04/01/2039	125,685,000	21,550,000	104,135,000
Refund Series 2009A - Housing and Parking	2016	2.50%-5.00%	04/01/2034	21,575,000	2,090,000	19,485,000
Refund Series 2011 and 2012A - Dining, Housing, Police Building, and Athletics	2017	4.00%-5.00%	04/01/2036	77,175,000	-	77,175,000
Housing	2018	3.00%-5.00%	04/01/2043	45,260,000	3,505,000	41,755,000
Total General Revenue Bonds				322,055,000	77,420,000	244,635,000
Bonds from Direct Placements						
Refund Series 2005A and 2012B - Housing, Parking, and Athletics	2015	1.75%	04/01/2026	10,109,000	5,195,000	4,914,000
Refund Series 2010B-2 - Elliott University Center and Various Construction Projects	2020	1.72%	04/01/2026	9,548,000	1,527,139	8,020,861
Refund Series 2011 - Dining and Housing	2021A	1.29%	04/01/2027	1,966,000	-	1,966,000
Refund Series 2012A - Housing, Athletics, Policy Building, and Dining	2021B	2.16%	04/01/2037	13,921,000	-	13,921,000
Total Bonds from Direct Placements				35,544,000	6,722,139	28,821,861
Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)				\$ 357,599,000	\$ 84,142,139	273,456,861
Plus: Unamortized Premium						21,952,126
Total Revenue Bonds Payable and Bonds from Direct Placements, Net						\$ 295,408,987

- 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, 2021
Improvement Advance	PNC	2.48%	04/01/2027	\$ 9,460,000	\$ 8,535,015

- D. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2021, are as follows:

Fiscal Year	Annual Requirements					
	Revenue Bonds Payable		Bonds from Direct Placements		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 10,740,000	\$ 11,407,300	\$ 3,800,906	\$ 566,324	\$ 237,649	\$ 211,668
2023	10,295,000	10,881,650	4,790,336	476,513	243,543	205,775
2024	10,810,000	10,366,900	3,410,089	391,012	249,583	199,735
2025	11,355,000	9,826,400	3,474,926	329,623	255,772	193,545
2026	11,915,000	9,258,650	3,521,604	267,012	262,116	187,202
2027-2031	67,250,000	36,962,250	5,581,000	745,235	7,286,352	180,702
2032-2036	80,605,000	20,146,275	1,888,000	286,923	-	-
2037-2041	35,965,000	5,488,138	2,355,000	49,455	-	-
2042-2043	5,700,000	431,000	-	-	-	-
Total Requirements	\$ 244,635,000	\$ 114,768,563	\$ 28,821,861	\$ 3,112,097	\$ 8,535,015	\$ 1,178,627

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

Revenue Bonds Payable - The indenture agreements for the University's outstanding revenue bonds of \$244,635,000 contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when the University: (1) fails to pay the principal, interest, or premium on any bonds when due and payable, or (2) fails to observe and perform any other covenant, condition, agreement, or provision contained in the bonds or in the general indenture within thirty days after written notice has been given to the University of North Carolina Board of Governors by the Trustee of the bonds.

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

Bonds from Direct Placements - The indenture agreements for the University's outstanding bonds from direct placements of \$28,821,861 contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when the University: (1) fails to pay the principal, interest, or premium on any bonds when due and payable, or (2) fails to observe and perform any other covenant, condition, agreement, or provision contained in the bonds or in the general indenture within thirty days after written notice has been given to the University of North Carolina Board of Governors by the Trustee of the bonds.

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

Notes from Direct Borrowings - The University's outstanding notes from direct borrowings of \$8,535,015 contain provisions that in an event of default, the Bank may by written notice to the University, declare an amount equal to all remaining Base Rentals then due and payable to be immediately due and payable. The Bank may have reasonable access to and inspect, examine and make copies of the books and records and accounts of the University during regular business hours of the University if reasonably necessary. The Bank may also take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the University made provided under the Use Agreement.

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

On May 21, 2021, the University issued \$1,966,000 in direct placement General Revenue Refunding Bonds, Series 2021A with an average interest rate of 1.29%. The bonds were issued for a current refunding of \$1,940,000 of outstanding General Revenue Bonds, Series 2011 with an average interest rate of 4.20%. The refunding was undertaken to reduce total debt service payments by \$184,870 over the next six years and resulted in an economic gain of \$177,788.

On May 21, 2021, the University issued \$13,921,000 in direct placement General Revenue Refunding Bonds, Series 2021B with an average interest rate of 2.16%. The bonds were issued to advance refund \$13,280,000 of outstanding General Revenue Bonds, Series 2012A with an average interest rate of 4.04%. The net proceeds of the refunding bonds (along with other resources) were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a

result, the refunded bonds are considered to be defeased and the liability has been removed from the University's Statement of Net Position. The substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited. This advance refunding was undertaken to reduce total debt service payments by \$1,499,941 over the next 16 years and resulted in an economic gain of \$1,293,184. At June 30, 2021, the outstanding balance was \$13,280,000 for the defeased General Revenue Bonds, Series 2012A.

Prior Year Defeasances - During prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2021, the outstanding balance of prior year defeased bonds was \$60,945,000 for the defeased General Revenue Bonds, Series 2011 and \$20,815,000 for the defeased General Revenue Bonds, Series 2012A.

For certain prior year defeasances, the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited. At June 30, 2021, the outstanding balance of prior year defeased bonds for which substitution is not prohibited was \$81,760,000.

- G. Annuities Payable** - The annuity and life income payable balance consists of 119 charitable annuity agreements and 13 charitable remainder unitrusts with a market value of \$10.1 million. The \$4.908 million annuity and life income payable liability is the expected present value payable to donors based upon their age, the agreed-on payment rate, and the applicable federal rate.

NOTE 9 - OPERATING LEASE OBLIGATIONS

The University entered into operating leases for real property and equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2021:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 1,347,291
2023	1,300,764
2024	1,174,627
2025	1,126,834
2026	996,868
2027-2029	516,525
Total Minimum Lease Payments	\$ 6,462,909

Rental expense for all operating leases during the year was \$1,459,038.

NOTE 10 - NET POSITION

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

	<u>Amount</u>
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (35,646,088)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(365,203,086)</u>
Effect on Unrestricted Net Position	(400,849,174)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>128,726,843</u>
Total Unrestricted Net Position	<u>\$ (272,122,331)</u>

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

NOTE 11 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts and Allowances</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$149,258,961</u>	<u>\$ 44,969,498</u>	<u>\$ 556,465</u>	<u>\$103,732,998</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$ 25,646,328	\$ 7,582,121	\$ 93,442	\$ 17,970,765
Dining	14,833,638	3,869,036	46,756	10,917,846
Student Union Services	23,107	-	-	23,107
Health, Physical Education, and Recreation Services	856,098	-	-	856,098
Parking	2,773,459	-	34,917	2,738,542
Athletic	427,231	-	-	427,231
Other	4,261,012	449,660	5,712	3,805,640
Sales and Services of Education and Related Activities	<u>4,636,554</u>	<u>-</u>	<u>-</u>	<u>4,636,554</u>
Total Sales and Services, Net	<u>\$ 53,457,427</u>	<u>\$ 11,900,817</u>	<u>\$ 180,827</u>	<u>\$ 41,375,783</u>

NOTE 12 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 147,502,262	\$ 12,513,038	\$ 632,145	\$ 59,147	\$ -	\$ 160,706,592
Research	12,984,564	5,958,269	1,517,301	-	-	20,460,134
Public Service	7,390,100	1,480,578	-	3,404	-	8,874,082
Academic Support	28,211,087	15,236,278	572,001	392	-	44,019,758
Student Services	18,341,011	5,124,147	196,445	50,962	-	23,712,565
Institutional Support	26,893,476	12,989,259	-	24,792	-	39,907,527
Operations and Maintenance of Plant	20,043,827	7,910,839	-	4,937,979	-	32,892,645
Student Financial Aid	-	-	38,405,736	-	-	38,405,736
Auxiliary Enterprises	19,410,733	18,924,554	38,219	2,785,920	-	41,159,426
Depreciation	-	-	-	-	24,614,292	24,614,292
Total Operating Expenses	\$ 280,777,060	\$ 80,136,962	\$ 41,361,847	\$ 7,862,596	\$ 24,614,292	\$ 434,752,757

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 \$10,471,541 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the University in providing the student awards, the related program activity is reported as nonoperating Federal Aid - COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 11.

NOTE 13 - PENSION PLANS

A. Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. 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, 2021 was 14.78% of covered payroll. Employee contributions to the pension plan were \$5,408,090, and the University's contributions were \$13,321,927 for the year ended June 30, 2021.

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 2020 *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 participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2021, the University reported a liability of \$64,088,953 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. 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, 2020, the University's proportion was 0.53045%, which was an increase of 0.00038 from its proportion measured as of June 30, 2019, which was 0.53007%.

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	12/31/2019
Inflation	3%
Salary Increases*	3.5% - 8.1%
Investment Rate of Return**	7%

* Salary increases include 3.5% inflation and productivity factor.

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

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

The actuarial assumptions used in the December 31, 2019 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, 2020 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary 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, 2020 is 1.2%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2019 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, 2020 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%)
\$ 115,345,064	\$ 64,088,953	\$ 21,095,684

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the University recognized pension expense of \$20,108,433. At June 30, 2021, 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 of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 3,531,646	\$ -
Changes of Assumptions	2,171,795	-
Net Difference Between Projected and Actual Earnings on Plan Investments	7,087,581	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,329,916	-
Contributions Subsequent to the Measurement Date	13,321,927	-
Total	\$ 28,442,865	\$ -

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 ending June 30, 2022. 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 in Pension Expense:**

Year Ending June 30:	Amount
2022	\$ 5,700,786
2023	4,266,679
2024	3,042,022
2025	2,111,451
Total	\$ 15,120,938

- 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, 2021, 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 \$220,597,192, of which \$101,223,250 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$6,073,395 and \$6,923,670, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions, less forfeitures of \$519,657 recognized during the reporting period.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 *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 2020 *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 15. 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.

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

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, 2021 was 6.68% of covered payroll. The University's contributions to the RHBF were \$12,782,720 for the year ended June 30, 2021.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, 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, 2021 was 0.09% of covered payroll. The University's contributions to DIPNC were \$172,222 for the year ended June 30, 2021.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2021, the University reported a liability of \$283,448,805 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. 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, 2020, the University's proportion was 1.02177%, which was an increase of 0.01732 from its proportion measured as of June 30, 2019, which was 1.00445%.

Net OPEB Asset: At June 30, 2021, the University reported an asset of \$514,850 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. 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, 2020, the University's proportion was 1.04657%, which was an increase of 0.02155 from its proportion measured as of June 30, 2019, which was 1.02502%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019, 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, 2020 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2019	12/31/2019
Inflation	3%	3%
Salary Increases*	3.5% - 8.1%	3.5% - 8.1%
Investment Rate of Return**	7%	3.75%
Healthcare Cost Trend Rate - Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2029	9.5% grading down to 5% by 2029
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* 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, 2020.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2020 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary 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, 2020 is 1.2%.

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, 2019 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 2.21%. 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 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

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:

Net OPEB Liability (Asset)			
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
RHBF	\$ 336,151,029	\$ 283,448,805	\$ 240,986,375
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	\$ (444,646)	\$ (514,850)	\$ (583,013)

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

Net OPEB Liability (Asset)			
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	\$ 228,510,094	\$ 283,448,805	\$ 356,879,197
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	\$ (515,697)	\$ (514,850)	\$ (514,106)

OPEB Expense: For the fiscal year ended June 30, 2021, the University recognized OPEB expense as follows:

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ (6,943,906)
DIPNC	383,514
Total OPEB Expense	<u>\$ (6,560,392)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 256,784	\$ 372,966	\$ 629,750
Changes of Assumptions	12,430,848	40,031	12,470,879
Net Difference Between Projected and Actual Earnings on Plan Investments	597,115	-	597,115
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	35,206,467	-	35,206,467
Contributions Subsequent to the Measurement Date	12,782,720	172,222	12,954,942
Total	<u>\$ 61,273,934</u>	<u>\$ 585,219</u>	<u>\$ 61,859,153</u>

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 11,088,866	\$ -	\$ 11,088,866
Changes of Assumptions	115,028,001	40,544	115,068,545
Net Difference Between Projected and Actual Earnings on Plan Investments	-	87,221	87,221
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	16,911,348	44,544	16,955,892
Total	<u>\$ 143,028,215</u>	<u>\$ 172,309</u>	<u>\$ 143,200,524</u>

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 RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2022. 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:**

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2022	\$ (39,100,495)	\$ 97,964
2023	(39,069,369)	62,946
2024	(7,388,987)	27,342
2025	(961,419)	50,013
2026	(8,016,731)	(612)
Thereafter	-	3,035
Total	\$ (94,537,001)	\$ 240,688

NOTE 15 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the

State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The University is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Coverage for all UNCG buildings and contents is charged to the University. Departments with buildings and contents, not supported by the State's General Fund, are charged for their portion of the insurance premium internally. Losses covered by the Fund are subject to a \$100,000 per occurrence deductible with the exception of the Moss Street Location which losses are subject to a \$5,000 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 *Annual Comprehensive Financial Report*, issued by the Office of the State Controller.

5. Other Insurance Held by the University

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. These purchased coverages are: "all-risk" for computers and miscellaneous equipment covering all perils including flood (replacement cost on listed computers and miscellaneous equipment, \$5,000 deductible per event); study abroad accident and health (\$250,000 per injury or sickness medical expenses, \$10,000 accidental death and dismemberment, \$50,000 repatriation of remains, \$200,000 evacuation benefit limit, \$1,500 bedside visit); international students accident and sickness (\$150,000 maximum limit for medical expenses, \$10,000 accidental death and dismemberment, \$15,000 for repatriation of remains and \$50,000 lifetime benefit for medical evacuation); robbery and safe burglary (\$1.0 million per event, \$25,000 deductible); musical instruments (stated value cash replacement value with \$500 deductible); fine art (property coverage - museum collection and temporary loan, limits of liability: \$250.0 million limit at insured premises, \$25.0 million at any other location, \$25.0 million limit in transit on any one conveyance, exhibition, and location, \$70.0 million for TRIA (Terrorism Risk Insurance Act), and \$250.0 million aggregate limit in any one loss or disaster; deductibles: \$2,500); University intern liability (\$2.0 million per incident / \$4.0 million per year; business travel (\$100,000 maximum medical expense, \$10,000 maximum accidental death and dismemberment maximum benefit, \$100,000 medical evacuation maximum benefit); boiler and machinery (\$50.0 million equipment

breakdown limit, \$5,000 deductible); leased computer equipment (stated value with \$10,000 deductible for medical equipment and \$500 deductible for all other); athletic accident (maximum medical coverage limit \$75,000, with \$0 deductible, maximum death specific loss \$50,000); physicians professional medical liability (\$1.0 million per person, \$3.0 million total); postal bond (coverage limit \$30,000); cyber liability/breach response (\$5.0 million limit); non-physicians professional medical liability (individual policies) (\$1.0 million per person, \$3.0 million total); student health; camp accident (\$250,000 accidental death and dismemberment maximum annual limit); club sports travel (\$10,000 accidental death and dismemberment); volunteer liability (\$1.0 million per incident / \$3.0 million per year); Railroad Underpass general liability coverage \$2 million per year and aggregate limit; Railroad Underpass excess liability \$1 million limit; Campus Recreation Adventure Program accident & health insurance (\$15,000 accidental death, up to \$15,000 dismemberment, \$10,000 accidental medical expenses); boat \$1.0 million liability and property damage; fiber optics bond \$50,000; Unmanned Aircraft Aviation insurance (\$1.0 million liability limit).

NOTE 16 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$1,178,219 and on other purchases were \$7,094,002 at June 30, 2021.
- B. Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.
- C. Other Contingent Receivables** - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Pledges to the UNCG Excellence Foundation Endowment Fund	\$ 1,518,834
Pledges to the UNCG Endowment Fund	5,520,798

NOTE 17 - THE CORONAVIRUS PANDEMIC EMERGENCY

In response to the coronavirus pandemic emergency, the federal government provided grants to the State and the University through various coronavirus program funds appropriated by (1) The Coronavirus Aid, Relief, and Economic Security Act (CARES), (2) The Coronavirus Response and Relief Supplemental Appropriations within the Federal Consolidated Appropriations Act of 2021 (CRRSA), and (3) The American Rescue Plan Act of 2021 (ARP).

The grant revenues from the various coronavirus program funds are contingent upon meeting the terms and conditions of the grant and signed agreements with the funding agencies, incurring qualifying expenditures, and are reported in the following nonoperating revenue captions of the financial statements:

State Aid - Coronavirus - This caption includes grant funds received directly by the State from the U.S. Department of the Treasury, Coronavirus Relief Fund (CRF), and appropriated by the State to the University.

Federal Aid - COVID-19 - This caption includes grant funds received directly by the University from the U.S. Department of Education Higher Education Emergency Relief Funds (HEERF).

This caption also includes pass-through grant funds from the U.S. Department of Education, Elementary and Secondary School Emergency Relief (ESSER) Fund and the Governors Emergency Education Relief (GEER) Fund.

Summary of State and Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended June 30, 2021:

Program	Total Authorized Award	2020 Earned Revenue	2021 Earned Revenue	2021 Unearned Revenue (1)
State Aid - Coronavirus:	N/A	\$ 116,120	\$ 5,155,610	\$ 1,649
Federal Aid - COVID-19:				
HEERF Funds	\$ 105,359,374	\$ 12,226,304	\$ 18,196,595	\$ -
ESSER Funds	167,415	1,136	137,874	-
GEER Funds	703,706	-	689,194	14,512
Total Federal Aid - COVID-19	N/A	\$ 12,227,440	\$ 19,023,663	\$ 14,512

(1) Unearned revenue for State Aid were for Coronavirus Relief Funds received from the UNC System Office that were not spent by June 30, 2021 and were included in the University's flexibility carryforward amount. The unearned revenue for GEER are associated with the University's Moss Street Elementary School (Lab School) for which the cash has been made available by the Department of Public Instruction but not drawn down as of June 30, 2021.

NOTE 18 - RELATED PARTIES

The University and North Carolina Agricultural and Technical State University have formed a jointly governed nonprofit organization, Gateway Research Park, Inc., which is also a component unit of the State of North Carolina. The purpose of this organization is to provide a collaborative research environment that fosters academic enrichment, research growth, technology transfer, commercialization, and discovery while encouraging and promoting regional economic development.

During the fiscal year, the University made payments totaling \$1,256,019 to Gateway Research Park, Inc. These payments consisted of: \$934,292 for the construction, maintenance, acquisition, movement, installation, upgrades of offices, classrooms, and laboratories for the Joint School of Nanoscience and Nanoengineering; \$296,558 for the operation and maintenance of University facilities at the Gateway Research Park; \$25,000 for annual management fee for the Gateway Research Park; and \$169 for other facility use fees, services, and maintenance expenses.

NOTE 19 - BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component units for the year ended June 30, 2021, is presented as follows:

*Condensed Statement of Net Position
Proprietary Fund
June 30, 2021*

	University	UNCG Excellence Foundation	Weatherspoon Arts Foundation	Capital Facilities Foundation	UNCG Investment Fund	Eliminations	Total
ASSETS							
Current Assets	\$ 170,984,253	\$ 8,646,429	\$ -	\$ 3,899,109	\$ 465,081	\$ (465,081)	\$ 183,529,791
Capital Assets, Net	792,221,716	-	24,243,660	9,900,510	-	-	826,365,886
Other Noncurrent Assets	222,877,540	192,863,578	-	-	392,609,634	(392,609,634)	415,741,118
Total Assets	1,186,083,509	201,510,007	24,243,660	13,799,619	393,074,715	(393,074,715)	1,425,636,795
TOTAL DEFERRED OUTFLOWS OF RESOURCES	94,933,356	-	-	-	-	-	94,933,356
LIABILITIES							
Current Liabilities	37,211,976	1,347,216	-	290,566	465,081	(465,081)	38,849,758
Long-Term Liabilities, Net	652,049,298	-	-	8,297,366	-	-	660,346,664
Other Noncurrent Liabilities	2,476,843	4,908,452	-	445,668	-	-	7,830,963
Total Liabilities	691,738,117	6,255,668	-	9,033,600	465,081	(465,081)	707,027,385
TOTAL DEFERRED INFLOWS OF RESOURCES	143,200,524	86,841	-	-	-	-	143,287,365
NET POSITION							
Net Investment in Capital Assets	498,386,743	34,000	24,243,660	1,365,495	-	-	524,029,898
Restricted - Nonexpendable	78,316,733	98,459,382	-	-	392,609,634	(392,609,634)	176,776,115
Restricted - Expendable	157,995,662	83,576,057	-	-	-	-	241,571,719
Unrestricted	(288,620,914)	13,098,059	-	3,400,524	-	-	(272,122,331)
Total Net Position	\$ 446,078,224	\$ 195,167,498	\$ 24,243,660	\$ 4,766,019	\$ 392,609,634	\$ (392,609,634)	\$ 670,255,401

**Condensed Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2021**

	University	UNCG Excellence Foundation	Weatherspoon Arts Foundation	Capital Facilities Foundation	UNCG Investment Fund	Eliminations	Total
OPERATING REVENUES							
Rental Income	\$ -	\$ -	\$ -	\$ 474,308	\$ -	\$ (474,308)	\$ -
Operating Revenues	186,350,121	-	-	-	-	-	186,350,121
Total Operating Revenues	186,350,121	-	-	474,308	-	(474,308)	186,350,121
OPERATING EXPENSES							
Operating Expenses	409,975,064	359,823	-	277,886	1,837,822	(2,312,130)	410,138,465
Depreciation	24,323,927	-	-	290,365	-	-	24,614,292
Total Operating Expenses	434,298,991	359,823	-	568,251	1,837,822	(2,312,130)	434,752,757
Operating Loss	(247,948,870)	(359,823)	-	(93,943)	(1,837,822)	1,837,822	(248,402,636)
NONOPERATING REVENUES (EXPENSES)							
Investment Income, Net	50,871,478	43,417,487	-	-	92,324,769	(92,324,769)	94,288,965
Noncapital Contributions	9,642,881	808,790	-	-	-	-	10,451,671
Interest and Fees on Debt	(10,648,789)	-	-	-	-	-	(10,648,789)
Other Nonoperating Revenues (Expenses)	265,402,215	(7,390,249)	-	16,550	(8,171,117)	8,171,117	258,028,516
Net Nonoperating Revenues	315,267,785	36,836,028	-	16,550	84,153,652	(84,153,652)	352,120,363
Capital Appropriations	8,179,044	-	-	-	-	-	8,179,044
Capital Contributions	21,958,177	-	364,731	-	-	-	22,322,908
Additions to Endowments	1,015,567	7,168,560	-	-	-	-	8,184,127
Total Other Revenues	31,152,788	7,168,560	364,731	-	-	-	38,686,079
Increase (Decrease) in Net Position	98,471,703	43,644,765	364,731	(77,393)	82,315,830	(82,315,830)	142,403,806
NET POSITION							
Net Position, July 1, 2020	347,606,521	151,522,733	23,878,929	4,843,412	310,293,804	(310,293,804)	527,851,595
Net Position, June 30, 2021	\$ 446,078,224	\$ 195,167,498	\$ 24,243,660	\$ 4,766,019	\$ 392,609,634	\$ (392,609,634)	\$ 670,255,401

**Condensed Statement of Cash Flows
Proprietary Fund
June 30, 2021**

	University	UNCG Excellence Foundation	Capital Facilities Foundation	UNCG Investment Fund	Eliminations	Total
Net Cash Provided (Used) by Operating Activities	\$ (232,809,925)	\$ (2,031,871)	\$ 282,712	\$ -	\$ -	\$ (234,559,084)
Net Cash Provided by Noncapital Financing Activities	274,124,285	459,533	-	-	-	274,583,818
Net Cash Used by Capital and Related Financing Activities	(21,307,696)	-	(120,481)	-	-	(21,428,177)
Net Cash Provided (Used) by Investing Activities	8,625,690	1,748,812	16,550	(10,262)	10,262	10,391,052
Net Increase (Decrease) in Cash and Cash Equivalents	28,632,354	176,474	178,781	(10,262)	10,262	28,987,609
Cash and Cash Equivalents, July 1, 2020	133,492,283	3,642,596	3,667,411	475,343	(475,343)	140,802,290
Cash and Cash Equivalents, June 30, 2021	\$ 162,124,637	\$ 3,819,070	\$ 3,846,192	\$ 465,081	\$ (465,081)	\$ 169,789,899

NOTE 20 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2021, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 93, Replacement of Interbank Offered Rates

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 98, The Annual Comprehensive Financial Report

GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

GASB Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR).

GASB Statement No. 97's primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

NOTE 21 - NET POSITION RESTATEMENT

The University's fiduciary activities were previously reported within the proprietary fund in single-column financial statements. Because fiduciary assets were accompanied by offsetting liabilities, these activities previously did not report a net position balance. Following the implementation of GASB Statement No. 84, the University's fiduciary activities are now reported on separate financial statements. As a result, fiduciary net position was restated to \$620,229 as of July 1, 2020. This restatement had no effect on the July 1, 2020 net position of the University's proprietary fund.

NOTE 22 - SUBSEQUENT EVENT

On July 27, 2021, the Board of Governors of the University of North Carolina (Board) entered into a Forward Delivery Bond Purchase Agreement with Morgan Stanley & Co. LLC (Purchaser), whereby the Board has granted the Purchaser the option to purchase from the Board, and the Board has agreed to issue and deliver to the Purchaser upon exercise by the Purchaser of the Purchase Option, The University of North Carolina at Greensboro General Revenue Refunding Bonds, Series 2024, for \$92,385,000. The Series 2024 bonds are expected to be issued, upon the Purchaser's exercise of the Purchase Option, on or about January 16, 2024.

The proceeds of the Series 2024 bonds will be used to: (1) refund The University of North Carolina at Greensboro General Revenue Bonds, Series 2014, maturing on and after April 1, 2025 and (2) pay issuance costs for the 2024 bonds.

In consideration of the Purchase Option, the Purchaser paid an upfront payment of \$12,612,833 to the University on August 5, 2021. The proceeds of this payment will be used to fund the Special Obligation Bond Project and, if there are any additional amounts, to defease the then-outstanding 2014 Bonds maturing before April 1, 2025, or otherwise agreed upon.



REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit C-1

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

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

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

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

Exhibit C-2

Teachers' and State Employees' Retirement System	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 13,321,927	\$ 11,708,559	\$ 10,969,213	\$ 8,875,469	\$ 7,759,557
Contributions in Relation to the Contractually Determined Contribution	13,321,927	11,708,559	10,969,213	8,875,469	7,759,557
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 90,134,827	\$ 90,274,161	\$ 89,253,161	\$ 82,332,739	\$ 77,751,073
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%
	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 6,794,463	\$ 6,763,298	\$ 6,602,932	\$ 6,564,209	\$ 5,823,207
Contributions in Relation to the Contractually Determined Contribution	6,794,463	6,763,298	6,602,932	6,564,209	5,823,207
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 74,256,427	\$ 73,915,822	\$ 75,983,103	\$ 78,802,024	\$ 78,268,906
Contributions as a Percentage of Covered Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

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

The University of North Carolina at Greensboro
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2021

Changes of Benefit Terms:

	<u>Cost of Living Increase</u>									
	<u>2019</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>
Teachers' and State Employees' Retirement System	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

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 7.20% to 7.00% for the December 31, 2017 valuation. For the December 31, 2019 valuation, the discount rate was 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 2020 *Comprehensive Annual Financial Report*.

N/A - Not Applicable

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

Exhibit C-3

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Retiree Health Benefit Fund					
Proportionate Share Percentage of Collective Net OPEB Liability	1.02177%	1.00445%	0.94867%	0.89477%	1.01384%
Proportionate Share of Collective Net OPEB Liability	\$ 283,448,805	\$ 317,803,677	\$ 270,258,283	\$ 293,363,921	\$ 441,054,860
Covered Payroll	\$ 192,465,985	\$ 189,195,782	\$ 175,091,258	\$ 164,567,614	\$ 155,819,092
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	147.27%	167.98%	154.35%	178.26%	283.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina					
Proportionate Share Percentage of Collective Net OPEB Asset	1.04657%	1.02502%	0.98159%	0.95710%	0.90534%
Proportionate Share of Collective Net OPEB Asset	\$ 514,850	\$ 442,296	\$ 298,168	\$ 584,980	\$ 562,216
Covered Payroll	\$ 192,465,985	\$ 189,195,782	\$ 175,091,258	\$ 164,567,614	\$ 155,819,092
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.27%	0.23%	0.17%	0.36%	0.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	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 ended June 30.

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

Exhibit C-4

Retiree Health Benefit Fund	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 12,782,720	\$ 12,452,549	\$ 11,862,576	\$ 10,593,021	\$ 9,561,378
Contributions in Relation to the Contractually Determined Contribution	12,782,720	12,452,549	11,862,576	10,593,021	9,561,378
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 191,358,077	\$ 192,465,985	\$ 189,195,782	\$ 175,091,258	\$ 164,567,614
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%
	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 8,725,869	\$ 8,421,927	\$ 8,473,310	\$ 8,396,759	\$ 7,891,367
Contributions in Relation to the Contractually Determined Contribution	8,725,869	8,421,927	8,473,310	8,396,759	7,891,367
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 155,819,092	\$ 153,404,858	\$ 156,913,142	\$ 158,429,407	\$ 157,827,334
Contributions as a Percentage of Covered Payroll	5.60%	5.49%	5.40%	5.30%	5.00%
	2021	2020	2019	2018	2017
Disability Income Plan of North Carolina					
Contractually Required Contribution	\$ 172,222	\$ 192,466	\$ 264,874	\$ 245,128	\$ 625,357
Contributions in Relation to the Contractually Determined Contribution	172,222	192,466	264,874	245,128	625,357
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 191,358,077	\$ 192,465,985	\$ 189,195,782	\$ 175,091,258	\$ 164,567,614
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%
	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 638,858	\$ 628,960	\$ 690,418	\$ 697,089	\$ 820,702
Contributions in Relation to the Contractually Determined Contribution	638,858	628,960	690,418	697,089	820,702
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 155,819,092	\$ 153,404,858	\$ 156,913,142	\$ 158,429,407	\$ 157,827,334
Contributions as a Percentage of Covered Payroll	0.41%	0.41%	0.44%	0.44%	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.

**The University of North Carolina at Greensboro
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2021**

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

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

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

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

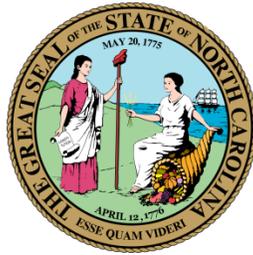
Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

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 14 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, 2020, the discount rate for the RHBF was updated to 2.21%. In the prior year, 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 claim costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed December 2019.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of The University of North Carolina at Greensboro (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 10, 2021. Our report includes a reference to other auditors who audited the financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., The UNCG Excellence Foundation, Inc., and the Capital Facilities Foundation, Inc., as described in our report on the University's financial statements. The financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., The UNCG Excellence Foundation, Inc., and the Capital Facilities Foundation, Inc., were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with these entities.

Internal Control Over Financial Reporting

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

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

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 10, 2021

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This audit required 786 hours at an approximate cost of \$83,316.