

North Carolina State University



Annual Financial Report 2023

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MISSION STATEMENT

As a research-extensive land-grant university, North Carolina State University is dedicated to excellent teaching, the creation and application of knowledge, and engagement with public and private partners. By uniting our strength in science and technology with a commitment to excellence in a comprehensive range of disciplines, NC State promotes an integrated approach to problem solving that transforms lives and provides leadership for social, economic, and technological development across North Carolina and around the world.

LETTER FROM THE CHANCELLOR



NC State experienced a year of record-breaking achievements in academics, research, growth, reputation and more in 2023. Our incredible community of faculty, staff, students, alumni and supporters continued to push our university to even greater heights of success. NC State's commitment to excellence and strong financial management practices led to solid financial outcomes for fiscal 2023.

We are deeply grateful for strong support from the State of North Carolina, particularly through this year's budget. The budget recognizes NC State's immense value to North Carolina with significant investments in our campus that will have transformative impacts on our students, faculty, staff, programs and facilities for decades to come. Among other areas, the state budget provides the university with funds for the expansion of our engineering and veterinary medicine programs, critical capital projects, and well-deserved salary increases for faculty and staff.

The state's support, combined with philanthropy, enable us to stay true to our land-grant mission and help maintain affordability for our nearly 40,000 students. This commitment to an affordable, quality education has led to national recognition for value. NC State placed in the top 50 most affordable colleges on *Money's* list for 2023. We continue to see a steady increase in demand for an NC State education, with nearly 40,000 applicants for admission in fall 2023.

NC State's exceptional research performance and recognition over the past year strengthened our reputation for excellence in innovation, enhancing Raleigh's standing as a tech-hub and serving as an economic driver for the State of North Carolina. In fiscal 2023, our faculty submitted more than \$1.5 billion in proposals, and NC State was awarded \$476 million in sponsored research awards, the highest in university history. When it comes to research technology transfer and commercialization, NC State is among the very best. A report from Heartland Forward ranked us seventh nationally, and second among public universities. Looking more broadly, Heartland Forward reported that the University of North Carolina System is fifth nationally, and NC State is the first transfer of technology producer in the state.

The year 2022-2023 was another outstanding year in terms of partnerships and financial support from donors. We continue to build on the success of the Think and Do the Extraordinary Campaign and grow support for NC State as we create a culture of philanthropy. For example, Day of Giving on March 22, 2023 was a tremendous success, raising \$34 million through 16,774 gifts. This dollar total is second only to the university's 2021 total, which set a national record for higher education giving days at the time. Our \$2.03 billion endowment at June 30, 2023 is one of the fastest growing among the largest U.S. endowments.

NC State continues to be a model of financial stability. Our financial strengths include very solid revenue diversity, well-managed financial operations, and talented and dedicated employees who support NC State's success every day.

A handwritten signature in black ink that reads "Randy Woodson". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

W. Randolph Woodson, Chancellor
NC State University

To: Chancellor W. Randolph Woodson and the Board of Trustees
North Carolina State University



I am pleased to present North Carolina State University's 2023 Annual Financial Report. Prepared by Finance and Administration staff in accordance with generally accepted accounting principles for public colleges and universities as defined by the Governmental Accounting Standards Board, the report contains detailed information about the university's financial activities. This report includes key financial data for the past five years, complete financial statements with management analysis, the Office of the State Auditor's report, and recent achievements. Supplemental information includes trend data relating to admissions, enrollment, degrees awarded, faculty, endowment, and debt coverage. The information enclosed is accurate in all material respects and reported in a manner fairly representing the university's financial position to the best of our knowledge. NC State maintains an effective system of internal controls to ensure that financial assets are safeguarded and transactions are properly executed and recorded.

Financial Report Highlights for Fiscal 2023

- The university's financial assets including deferred outflows of resources were \$4.25 billion.
- Net position grew by \$272.2 million or 21.1% during the reporting period. Beginning net position was \$1.29 billion and ending net position was \$1.56 billion.
- Revenues and expenses (operating, nonoperating and other) were \$2.0 billion and \$1.73 billion, respectively.
- Revenues exceeded expenses by \$199.5 million (net income) before capital appropriations and contributions of \$67.1 million and additions to endowments of \$5.6 million.
- Revenues (operating, nonoperating and other) increased by \$140.9 million or 7.6%, primarily due to increases in sales and services, nonoperating revenues of investment income, state appropriations and capital contributions. This was offset by decreases in coronavirus related state and federal aid.
- Expenses increased by \$96.4 million or 5.9%, with salaries and benefits and supplies and services showing the largest increases, offset by a decrease in scholarships and fellowships.

NC State upholds its commitment to financial stewardship and its overarching goal of solving the grand challenges of an increasingly complex world. In this way the university preserves its land grant mission to create economic, societal and intellectual prosperity for the people of North Carolina and the United States.

Sincerely,



Charles A. Maimone
Executive Vice Chancellor for Finance and Administration
NC State University

NC STATE PRIDE POINTS

Essential Facts and Figures

- 37,800+ students, 2,400+ faculty and 7,100+ staff
- Educating more North Carolinians than any other university
- Student-faculty ratio 15:1
- 12 colleges representing all major academic fields
- More than 300 undergraduate and graduate degree programs offered through 68 departments
- NC State Extension serves in all 100 counties and the Eastern Band of Cherokee Indians
- \$2.03 billion endowment, among the top 90 largest higher-education endowments in the country
- \$2.035 billion budget for fiscal year 2023

Ranked Among the Best

- Top 1% of universities worldwide (Center for World University Rankings)
- #2 best public college of North Carolina for value (*Money*)
- #2 for graduate entrepreneurship in the South (Princeton Review)
- #2 for research commercialization among public universities nationally (Heartland Forward)
- #2 military-friendly school among Tier 1 research institutions (Military Friendly)
- #2 military spouse-friendly school among Tier 1 research institutions (Military Friendly)
- #3 graduate nuclear engineering program nationally (*U.S. News & World Report*)
- #4 for undergraduate entrepreneurship in the South (Princeton Review)
- #5 veterinary medicine program nationally (*U.S. News & World Report*)
- #7 best value among public universities nationally (*U.S. News & World Report*)
- #8 in MBA programs with the best return on investment (*Poets & Quants*)
- #11 online graduate engineering program nationally (*U.S. News & World Report*)
- #11 graduate statistics program nationally (*U.S. News & World Report*)
- #12 graduate engineering program among public universities (*U.S. News & World Report*)
- #15 online MBA nationally (Princeton Review)
- #18 graduate applied mathematics program nationally (*U.S. News & World Report*)

Academic Excellence: Brightest Students, Best Faculty

- More than 100 of our students were national scholars and fellows over the past five years
- NC State students won two Goldwater Scholarships and 20 National Science Foundation graduate research fellowships in the 2022-2023 academic year
- A record-setting 11 NC State students were awarded Fulbright Scholarships in 2023 through the Fulbright U.S. Student Program, which expands student perspectives through academic and professional development and cross-cultural dialogue.
- The Chancellor's Faculty Excellence Program groups world-leading educators and researchers into 20 interdisciplinary clusters, including bioinformatics, precision medicine and public science
- Twenty-five of our faculty are members of the National Academies

NC STATE PRIDE POINTS

Driving Economic Prosperity

- 190+ startups and spinoffs based on NC State research, attracting a total of \$1.7 billion in venture capital
- #1 nationwide in active licenses and options; #2 nationwide for startups launched among universities without a medical school
- 1,500+ patents issued in the U.S., yielding 600+ consumer products
- The Wolfpack Investor Network (WIN) matches NC State alumni investors with promising university-affiliated startups to facilitate mentoring, support and angel investments for entrepreneurial businesses. WIN members have invested more than \$13 million in 23 NC State startups.
- The Milken Institute, an economic think tank, cited the collaboration and innovation fostered by NC State— and particularly by Centennial Campus — as key reasons why Raleigh is the one of the best-performing large cities in the United States.
- NC State and its students, alumni and associated startups generate \$6.5 billion of North Carolina income annually.

A National Leader in Attracting Sponsored Research and Interdisciplinary Partnerships That Make a Difference

- \$476 million in new sponsored research awards for fiscal year 2023—the highest in university history
- #3 in the nation for the share of our research sponsored by private industry (for universities without a medical school), according to the Association of University Technology Managers
- Lead university for two National Science Foundation Engineering Research Centers:
 - The FREEDM Systems Center, researching smart-grid technology
 - The ASSIST Center, developing wearable, self-powered health monitors
- The first North American location for an IBM Quantum Hub, a collaborative effort to advance quantum computing
- Home to two major interdisciplinary National Science Foundation-funded centers launched in 2021:
 - The NSF AI Institute for Engaged Learning, a \$20 million center that aims to create artificial intelligence tools to advance human learning and education
 - The Science and Technologies for Phosphorous Sustainability (STEPS) Center, a \$25 million center that studies how to reduce dependence on mined phosphates and the amount of phosphorus that leaches into soil and water
- A hub for driving 5G innovation through the \$24 million Aerial Experimentation and Research Platform for Advanced Wireless (AERPAW) project
- A partner in seven of the 16 public-private institutes that make up Manufacturing USA, a federal initiative to revitalize the U.S. manufacturing industry
- Home to The Southeast Climate Adaption Science Center, one of nine such regional centers in the United States

NC State's Centennial Campus

A national model for partnership-driven research campuses

- NC State's Centennial Campus is a nationally acclaimed public-private research campus where 70+ corporate, government and nonprofit partners work alongside 70+ research and academic units
- Home to the College of Engineering, the Wilson College of Textiles, the College of Veterinary Medicine, and the Institute of Emerging Issues, a think tank focused on tackling big issues that affect North Carolina's prosperity
- Supports lifelong learning through K-12, graduate and continuing education, distance and online learning, and executive education
- Houses the Office of Research and Innovation, which upholds the university's research and commercialization mission
- James B. Hunt Jr. Library: Winner of the prestigious Stanford Prize for Innovation in Research Libraries, and one of the most technologically advanced learning and collaboration spaces in the world
- Offers a wealth of dining options, housing and amenities, most of which are available to the public



FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED JUNE 30, 2019-2023
(DOLLARS ARE IN MILLIONS)

	2019	2020	2021	2022	2023
University Net Position					
Invested in Capital Assets, Net of Related Debt	\$1,512.5	\$1,585.2	\$1,637.3	\$1,672.2	\$1,704.3
Restricted Nonexpendable	\$155.2	\$167.4	\$175.8	\$184.8	\$188.5
Restricted Expendable (1)	\$329.8	\$347.1	\$501.0	\$500.5	\$506.6
Unrestricted	-\$1,380.0	-\$1,352.0	-\$1,252.6	-\$1,068.3	-\$837.9
Total Net Position	\$617.5	\$747.7	\$1,061.5	\$1,289.2	\$1,561.5
Contributions					
Noncapital Contributions	\$81.5	\$80.0	\$100.4	\$95.6	\$104.7
Capital Contributions	\$61.2	\$86.0	\$106.8	\$39.4	\$66.8
Contracts & Grants					
Federal Contracts and Grants	\$169.2	\$171.9	\$180.4	\$191.6	\$207.9
State and Local Contracts and Grants	\$48.6	\$46.6	\$53.5	\$44.1	\$48.5
Nongovernmental Contracts and Grants	\$95.8	\$91.1	\$94.2	\$102.4	\$116.7
Total Contracts and Grants	\$313.6	\$309.6	\$328.1	\$338.1	\$373.1
Appropriations and Tuition and Fees					
Federal Appropriations	\$28.2	\$25.2	\$23.0	\$23.7	\$24.6
State Appropriations for Operations	\$522.5	\$522.9	\$520.6	\$578.0	\$616.3
State Appropriations for Capital Projects	\$4.7	\$0.9	\$7.7	\$0.0	\$0.4
Tuition and Fees (Gross)	\$451.8	\$461.2	\$438.5	\$463.2	\$488.2
Foundation Support	\$80.9	\$106.1	\$134.9	\$90.5	\$104.8
Endowment Investments	\$372.8	\$379.6	\$522.7	\$532.0	\$526.9
Investment Fund Return	7.3%	2.1%	39.3%	3.2%	1.2%
Capital Assets					
Total University Capital Assets	\$3,276.0	\$3,437.7	\$3,561.6	\$3,786.5	\$3,909.1
Total University Capital Assets, Net of Accumulated Depreciation	\$2,119.3	\$2,192.5	\$2,221.7	\$2,327.7	\$2,333.7
University Debt					
Short-term Debt	\$25.1	\$50.0	\$0.0	\$0.0	\$0.0
Bonds Payable	\$478.4	\$458.7	\$532.4	\$509.6	\$486.5
Notes Payable	\$61.2	\$56.7	\$51.7	\$46.2	\$40.1
Estimated Expenses for Full-Time Students Living on Campus - N.C. Residents (dollars are in whole numbers)					
Tuition and Fees	\$9,100	\$9,100	\$9,100	\$9,130	\$9,128
Books and Supplies	\$1,082	\$1,082	\$1,082	\$1,094	\$854
Room Rent (Average)	\$6,714	\$6,714	\$6,768	\$6,974	\$7,432
Meals (Average)	\$4,364	\$4,645	\$4,833	\$4,983	\$5,316
Other Personal Expenses	\$1,576	\$1,576	\$1,608	\$1,628	\$1,795
Transportation	\$1,100	\$1,100	\$1,122	\$1,135	\$1,186
Total	\$23,936	\$24,217	\$24,513	\$24,944	\$25,711

1. Sources for funding Restricted Expendable Net Assets include gifts, contracts and grants, unexpended capital appropriations, endowment income, unexpended debt proceeds, required reserves, and loan funds.

BOARD OF TRUSTEES

As of June 30, 2023



Stanhope A. Kelly
Winston-Salem, NC
Chair



Robert Andrews III,
Raleigh, NC



Erik L. Dixon
Wake Forest, NC



Ann B. Goodnight
Cary, NC



James A. Harrell III,
Raleigh, NC



David Dee Herring,
Lillington, NC



Timothy L.
Humphrey,
Raleigh, NC



Ven Poole,
Raleigh, NC



Perry Safran,
Raleigh, NC



Edwin J. Stack III,
Morehead City NC



Dewayne N.
Washington,
Wake Forest, NC



Edward I. Wesiger,
Jr,
Charlotte, NC



McKenzy Heavlin,
Student Body
President

EXECUTIVE AND ADMINISTRATIVE OFFICERS

As of June 30, 2023

EXECUTIVE OFFICERS

W. Randolph Woodson

Chancellor

Marc I. Hoit

Vice Chancellor for Information Technology

Mladen Vouk

Vice Chancellor for Research, Innovation, and Economic Development

Warwick Arden

Provost and Executive Vice Chancellor

Brian C. Sischo

Vice Chancellor for University Advancement

Doneka Scott

Vice Chancellor and Dean for the Division of Academic and Student Affairs

Boo Corrigan

Director of Athletics

Charles A. Maimone

Executive Vice Chancellor for Finance and Administration

Paula Gentius

Secretary of the University

Allison Newhart

Vice Chancellor and General Counsel

DEANS

John Dole

Interim Dean of College of Agriculture and Life Sciences

Peter Harries

Dean of Graduate School

Christine McGahan

Dean of College of Sciences

Mark Hoversten

Dean of College of Design

Deanna Dannels

Dean of College of Humanities and Social Sciences

David Hinks

Dean of Wilson College of Textiles

Paola Sztajin

Dean of College of Education

Frank Buckless

Dean of Poole College of Management

Doneka Scott

Vice Chancellor and Dean for the Division of Academic and Student Affairs

Louis Martin-Vega

Dean of College of Engineering

Myron Floyd

Dean of College of Natural Resources

Kate Meurs

Dean of College of Veterinary Medicine



FINANCIAL SECTION

NORTH CAROLINA
STATE UNIVERSITY

2023 ANNUAL
FINANCIAL REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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Raleigh, NC 27699
Telephone: (919) 807-7500
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www.auditor.nc.gov

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
North Carolina State University
Raleigh, 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 North Carolina State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component units, as of and for the year ended June 30, 2023, 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 North Carolina State University, and its discretely presented component units, as of June 30, 2023, 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 NC State Investment Fund, Inc., which represent 20 percent of the assets of the business-type activities, and 94 percent and 56 percent, respectively, of the assets and revenues of the fiduciary activities; nor the financial statements of the North Carolina State University Foundation, Inc. or The North Carolina Agricultural Foundation, Inc., the University's discretely presented component units. 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 North Carolina State University and to meet our other ethical responsibilities, in accordance with the

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

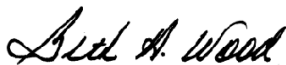
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, 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. The report on internal control and compliance has been issued under a separate cover in the Financial Statement Audit Report of North Carolina State University published by this office.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 17, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

Management's Discussion and Analysis of the financial report provides an overview of the accompanying basic financial statements. It includes comparative financial analysis with discussion of significant changes from the prior year. The overview also includes information on currently known facts, decisions, or conditions affecting the financial affairs of the North Carolina State University (University).

Financial Highlights

The University's net position increased by \$272.2 million to \$1.56 billion in fiscal year 2023. Net position represents the University's equity. It is the residual of all the other elements of the statement of financial position, the assets and deferred outflows of resources less liabilities and deferred inflows of resources.

Revenues (Operating and Nonoperating) increased by \$118.2 million or 6.5%, to \$1.93 billion in fiscal year 2023. Revenues represent amounts received or accrued that are either operating or nonoperating on the accompanying financial statements. Revenue growth is explained by significant growth in state appropriations, research contract, grants, sales, and services due to moderate enrollment growth and the University's strong research capabilities and ability to attract external funding.

Expenses increased 5.9% in 2023, up \$96.4 million over fiscal year 2022 expenses. Expenses represent amounts paid or accrued for operating or nonoperating purposes. The largest increases were in Instruction, Research, and Auxiliaries reflecting investments in faculty, highlighting the University's commitment to advancing knowledge and innovation.

Using the Financial Statements

The University's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The University presents two sets of fund financial statements 1) proprietary fund financial statements, which account for the University's primary activities and 2) fiduciary fund financial statements, which account for the University's custodial funds. 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.

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 University blends two component units as if they were part of the University, and two entities are reported as discretely presented component units based on the nature and significance of their relationship to the University. Note 1A provides detailed information on the University's financial reporting entity.

The University's three financial statements are used to evaluate financial position as of June 30th and the results of operations for the fiscal year then ended. The *Statement of Net Position* provides information relative to the evaluation of financial position. The *Statement of Revenues, Expenses, and Changes in Net Position* provides information relative to the evaluation of the results of operations. Its ending net position agrees to the total net position on the *Statement of Net Position*.

The financial statements also include a *Statement of Cash Flows*. This statement is used to identify the University's sources and uses of cash. The ending cash on the *Statement of Cash Flows* agrees to the total cash reported on the *Statement of Net Position*. Also, this statement reconciles the net operating loss reported in the *Statement of Revenues, Expenses, and Changes in Net Position* to the net cash used by operating activities.

In using the financial statements, the *Notes to the Financial Statements* accompanying the financial statements should be read in conjunction with the financial statements. The notes provide information regarding the significant accounting principles applied in the financial statements, authority for and associated risk of deposits and investments, detailed in-

formation on long-term liabilities, detailed information on accounts receivable, accounts payable, revenues and expenses, required information on pension plans and other postemployment benefits, insurance against losses, commitments and contingencies, and accounting changes. If necessary, the disclosures include a discussion of adjustments to prior periods and events subsequent to the University's financial statement period. Overall, these disclosures provide information to better understand details, risk, and uncertainty associated with amounts reported in the financial statements.

Comparative Condensed Financial Statement Information

Statement of Net Position

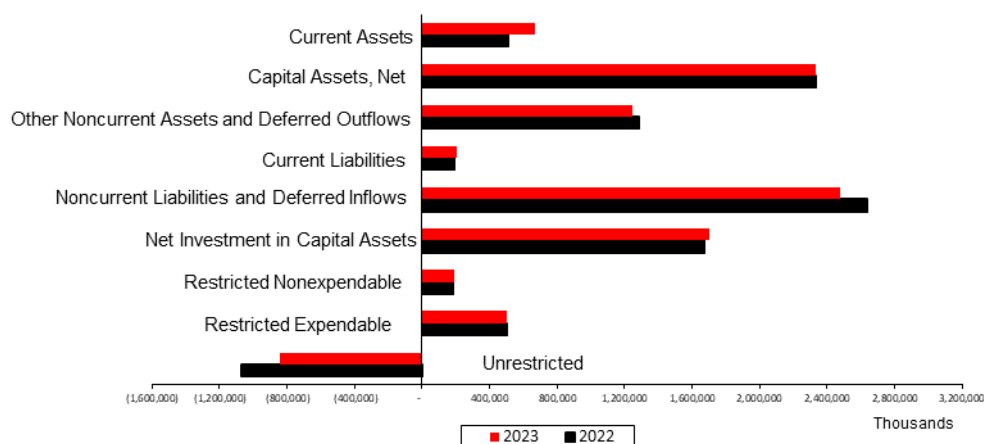
The *Statement of Net Position* provides information regarding the University's assets, deferred outflows and inflows of resources, liabilities, and net position as of June 30, 2023. Asset and liability balances are classified as either current or noncurrent. Assets classified as current are those that are available to pay current liabilities or current year expenditures. Liabilities classified as current are those that are due and payable in the next fiscal year. The net position balances are classified as either net investment in capital assets, restricted or unrestricted. In addition, net position balances classified as restricted are classified as either nonexpendable or expendable. Overall, the *Statement of Net Position* provides information to evaluate the financial strength of the University and its ability to meet current and long-term obligations.

Following is a comparative analysis on the condensed balances reported in the *Statement of Net Position* as of June 30, 2023 and restated as of June 30, 2022.

	2023	Restated 2022 (1)	Changes
Assets			
Current Assets	\$ 669,997,415	\$ 539,341,465	\$ 130,655,950
Capital Assets, Net	2,333,731,329	2,329,501,789	4,229,540
Other Noncurrent Assets	860,568,990	927,532,646	(66,963,656)
Total Assets	3,864,297,734	3,796,375,900	67,921,834
Deferred Outflows of Resources			
Deferred Outflows Related to Asset Retirement Obligations	13,981,484	13,833,032	148,452
Deferred Outflows Related to Pensions	195,014,238	103,201,438	91,812,800
Deferred Outflows Related to OPEB	174,304,939	208,058,525	(33,753,586)
Total Deferred Outflows of Resources	383,300,661	325,092,995	58,207,666
Liabilities			
Current Liabilities	209,656,526	193,884,940	15,771,586
Noncurrent Liabilities			
Long-Term Liabilities	1,901,018,588	2,027,396,755	(126,378,167)
Other Noncurrent Liabilities	73,220,950	77,341,333	(4,120,383)
Total Liabilities	2,183,896,064	2,298,623,028	(114,726,964)
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	13,626,433	135,253,742	(121,627,309)
Deferred Inflows Related to OPEB	455,968,918	367,414,029	88,554,889
Deferred Inflows for Leases	32,628,909	30,918,287	1,710,622
Total Deferred Inflows of Resources	502,224,260	533,586,058	(31,361,798)
Net Position			
Net Investment in Capital Assets	1,704,341,577	1,672,167,098	32,174,479
Restricted			
Nonexpendable	188,508,808	184,814,320	3,694,488
Expendable	506,613,548	500,548,463	6,065,085
Unrestricted	(837,985,862)	(1,068,270,072)	230,284,210
Total Net Position	\$ 1,561,478,071	\$ 1,289,259,809	\$ 272,218,262

(1) Restatement - The University restated certain amounts on the 2022 condensed Statement of Net Position due to the implementation of GASB Statement 96, Subscription-Based Information Technology Arrangements. See Note 21, Net Position Restatements.

The following graph illustrates the assets, deferred outflows, liabilities, deferred inflows and net position of the University as of June 30, 2023 as compared to restated June 30, 2022 balances.



Assets totaled \$3.86 billion, an increase of \$67.9 million over the prior year. This change in assets includes an increase in current assets of \$130.7 million, an overall increase in net capital assets of \$4.2 million and a decrease in other non-current assets of \$67.0 million.

Current assets increased by \$130.7 million in fiscal year 2023. Cash and cash equivalents increased \$119.8 million due to an increase of \$79.4 million as a result of liquidation in investments to align with NC State Investment Fund objectives to earn a total return with prudent levels of risk and to meet the spending needs of participants. There were also increases in contracts and grants overhead receipts of \$10.2 million and an increase in sales and services which replenished auxiliary reserves and led to \$19.2 million more cash on hand. Restricted cash and cash equivalents increased \$11.3 million mainly due to increases in contracts and grants overhead and gifts.

The increase in net capital assets of \$4.2 million is minimal with increases in construction in progress (CIP), general infrastructure and equipment offset by annual depreciation and amortization. See the capital assets section below for more details.

Other noncurrent assets decreased \$67.0 million in fiscal year 2023. Endowment investments decreased \$5.0 million due to spending withdrawals, which were offset by realized gains. Other investments decreased \$75.5 million primarily due to the liquidation of investments which was offset by increases in construction projects and gifts. Noncurrent cash increased \$12.3 million due to increases in construction projects and gifts. Noncurrent leases receivable increased \$2.1 million due to increases in rent.

The deferred outflows of resources for the University's asset retirement obligations, the deferred outflows for pensions and deferred outflows for other postemployment benefits (OPEB) are shown in a separate section of the financial statements. The deferred outflow for the asset retirement obligation is the University's obligation and cost to retire the nuclear reactor on campus. The deferred outflows for pensions and OPEB accounts reflect the University's allocated portion of deferred outflows for the Teachers' and State Employees' Retirement System (TSERS) cost-sharing pension plan and the State's OPEB plans. Amounts in these accounts are amortized over time as pension and OPEB expenses. Deferred outflows of resources increased \$58.2 million in the current year primarily relating to pension and OPEB. The \$91.8 million increase in the deferred outflows of pensions and the \$33.8 million decrease in deferred outflows of OPEB accounts are due to changes in the pension and OPEB rate of return on investments in the plans as well as changes in assumptions and the University's proportionate share of contributions to the plans.

Liabilities totaled \$2.18 billion, a decrease of \$114.7 million over the prior year. The decrease in liabilities is attributable to an increase in current liabilities of \$15.8 million and a decrease in noncurrent liabilities of \$130.5 million.

Current liabilities totaled \$209.7 million and increased by \$15.8 million. These liabilities include accounts payable and accrued liabilities, payables to other entities, unearned revenue, interest payable, leases payable, subscription payables, employee benefits payables and the current portion of University debt. Unearned revenue increased \$5.8 million due to increases in football tickets sales and contract and grants and accounts payable increased \$5.2 million primarily due to

increase in construction payables. The remaining \$4.8 million increase is due primarily to increases in the current portion of bonds payable and subscription liabilities.

Noncurrent liabilities totaled \$1.97 billion, and include deposits payable, funds held for other entities, unearned revenue, and long-term liabilities. The primary factor in the \$130.5 million decrease in noncurrent liabilities was noncurrent long-term liabilities. The net OPEB liability decrease of \$297.4 million was offset by an increase in the net pension liability for the TSERS plan of \$207.1 million, which was the result of the difference between the projected, and actual investment earnings and assumption changes in both plans. Revenue bonds, bonds from direct placement, and notes payable decreased \$29.2 million and leases payable decreased \$8.6 million primarily due to annual payments. Subscription payables increased \$2.7 million due to the implementation of GASB Statement 96, *Subscription-Based Information Technology Arrangements* (SBITA).

Deferred inflows for pensions, deferred inflows for OPEB, and deferred inflows for leases are shown in a separate section in the financial statements. The \$31.4 million net decrease in deferred inflows for pension, OPEB and leases is driven primarily by the change in pension and OPEB liabilities related to the difference between projected and actual investment earnings and assumption changes. These deferred inflows for pensions and OPEB are amortized over time as pension expense and OPEB expense.

Net position totaled \$1.56 billion, an increase of \$272.2 million over the prior year. The negative unrestricted net position balance decreased by \$230.3 million mainly due to fluctuations in pension and OPEB reporting. Net investment in capital assets increased \$32.2 million due to increases in capital projects and a decrease in capital debt. Restricted nonexpendable net position increased \$3.7 million driven mainly by the increase in gifts for professorships and the State matching for professorships. Restricted expendable net position increased \$6.1 million, driven mainly by increases in investment returns.

As reported in Note 11, the total impact from reporting the OPEB and pension plan obligations at June 30, 2023 was a negative \$1.3 billion. The difference between the net effect amount reported in Note 11 and the unrestricted net position reported on the financial statements (a deficit of \$838.0 million) is a positive \$458.0 million. This positive difference represents unrestricted funds held by the University in its institutional trust, special, debt, and investment funds, as well as any unrestricted funds held by the University's blended component units.

The University's current assets are more than sufficient to cover current liabilities, with a ratio of 3.2 times compared to 2.8 times in the prior year. The University's total assets are more than the University's liabilities with a ratio 1.8 times as compared to 1.7 times in the prior year. These financial ratios are indicators of the University's financial strength and its ability to meet current and long-term obligations.

Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* provides information regarding the University's activities for the year ended June 30, 2023. The activity balances are classified as operating, nonoperating, or other revenues, expense, gains or losses. Activities classified as operating include all revenues of the University except those considered nonoperating, or those associated with funds received to enhance capital assets or permanent endowments. Operating expenses are all expenses except those related to interest expense on financing activities, loss on disposal of capital assets, and investment expenses (shown as net against investment income). Activities classified as nonoperating include state appropriations, noncapital contributions, investment income (net of investment expenses), and gains or losses on disposal of capital assets. Activities classified as other include capital appropriations, capital contributions and additions to permanent endowments. Overall, the *Statement of Revenues, Expenses, and Changes in Net Position* provides information to evaluate the University's management of operations and maintenance of financial strength.

Following is a comparative analysis on the condensed balances reported in the *Statement of Revenues, Expenses, and Changes in Net Position* for the fiscal years ended June 30, 2023, and June 30, 2022.

	2023	2022	Changes
Operating Revenues			
Student Tuition and Fees, Net	\$ 366,610,051	\$ 352,522,696	\$ 14,087,355
Federal Appropriations	24,639,771	23,658,433	981,338
Grants and Contracts	373,021,010	338,147,898	34,873,112
Sales and Services, Net	316,646,728	277,571,723	39,075,005
Other, Net	18,820,026	18,896,582	(76,556)
Total Operating Revenues	1,099,737,586	1,010,797,332	88,940,254
Operating Expenses			
Salaries and Benefits	984,595,986	948,272,061	36,323,925
Supplies and Services	490,825,653	415,663,548	75,162,105
Scholarships and Fellowships	56,703,060	79,015,639	(22,312,579)
Utilities	36,365,574	36,356,305	9,269
Depreciation/Amortization (1)	140,792,578	132,763,004	8,029,574
Total Operating Expenses	1,709,282,851	1,612,070,557	97,212,294
Operating Loss	(609,545,265)	(601,273,225)	(8,272,040)
Nonoperating Revenues (Expenses)			
State Appropriations	616,310,706	578,015,894	38,294,812
Student Financial Aid	56,973,498	53,111,751	3,861,747
Other Noncapital Aid and Contributions	129,162,020	152,027,949	(22,865,929)
Investment Income (Loss), Net	18,141,151	(15,727)	18,156,878
Other	(11,552,744)	(4,221,541)	(7,331,203)
Net Nonoperating Revenues	809,034,631	778,918,326	30,116,305
Income Before Other Revenues	199,489,366	177,645,101	21,844,265
Capital Appropriations and Contributions	67,127,187	39,359,532	27,767,655
Additions to Permanent Endowments	5,601,709	10,709,551	(5,107,842)
Increase in Net Position	272,218,262	227,714,184	44,504,078
Beginning Net Position	1,289,259,809	1,061,545,625	227,714,184
Ending Net Position	\$ 1,561,478,071	\$ 1,289,259,809	\$ 272,218,262

Fiscal Year 2022-2023 total revenues are \$2,000,155,887 and total expenses are \$1,727,937,625.

Fiscal Year 2021-2022 total revenues are \$1,859,280,998 and total expenses are \$1,631,566,814.

(1) Depreciation/amortization expense for fiscal year 2022-2023 included \$1,439,156 for the amortization of right-to-use subscription assets. The amount for fiscal year 2021-2022 was not restated.

Operating and Nonoperating Activities

The following illustrates the relationships of operating and nonoperating revenue sources and expense functions to total revenues/expenses for the fiscal year 2023 and 2022, and the consistency of relationships between the two years.

OPERATING AND NONOPERATING REVENUES

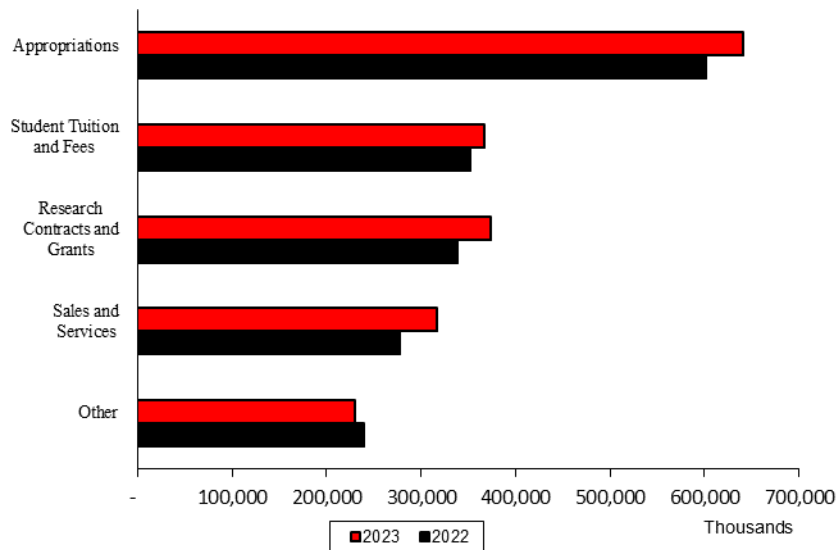
Title	% to Total 2023	% to Total 2022
State Appropriations	32%	32%
Research Contracts and Grants	19%	19%
Student Tuition and Fees, Net	19%	20%
Sales and Services, Net	17%	15%
Noncapital Aid and Contributions	10%	11%
Federal Appropriations	1%	1%
Other, Net	2%	2%
Total	100%	100%

OPERATING AND NONOPERATING EXPENSES

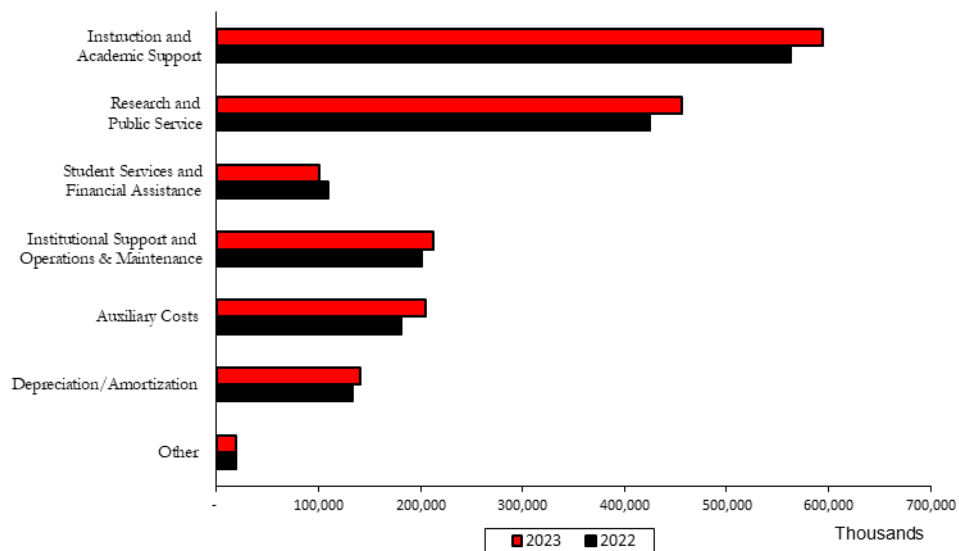
Title	% to Total 2023	% to Total 2022
Instruction	28%	28%
Research	19%	18%
Public Service	8%	8%
Auxiliary Enterprises	12%	11%
Operations & Maintenance of Plant	5%	5%
Academic Support	6%	7%
Institutional Support	7%	7%
Depreciation/Amortization	8%	8%
Student Financial Aid	4%	5%
Student Services	2%	2%
Other	1%	1%
Total	100%	100%

The following graphs illustrate the University's operating and nonoperating revenues/expenses by source/function (in thousands).

OPERATING AND NONOPERATING REVENUES



OPERATING AND NONOPERATING EXPENSES



Total revenues (operating, nonoperating, and other) increased \$140.9 million or 7.58% compared to the prior year. Operating revenue increased \$88.9 million mainly due to increases in sales and services of \$39.1 million and tuition and fees of \$14.1 million due to increased housing and dining costs and modest enrollment growth as well as an increase in nonresident tuition. Research contracts and grants increased by \$34.9 million, primarily due to increases in grants in College of Agriculture and Life Sciences, College of Sciences and College of Engineering. Other revenue increased \$22.7 million mainly due to increases in capital contributions and appropriations of \$27.8 million due to increases in gifts to Athletics and capital appropriations related to the Integrated Sciences Building which was offset by decreases in additions to endowments of \$5.1 million. Nonoperating revenue increased \$29.3 million. Investment income increased \$18.2 million due to market gains, state appropriations increased \$38.3 million due to enrollment growth and noncapital contributions increased \$9.0 million due to increased supports from foundations. This was offset by decreases in state and federal aid of \$31.9 million relating to COVID-19 aid ending.

Total expenses (operating and nonoperating) increased \$96.4 million or 5.91% compared to the prior year. Salaries and benefits increased \$36.3 million mainly due to raises and increases in pension expense, offset by a decrease in OPEB expense. Supplies and services increased \$75.2 million primarily driven by a \$67.2 million increase in services relating to travel and service contracts reflecting continued investment in faculty and support programs. Supplies and materials increased \$8.0 million mainly in auxiliary's purchases for resale and equipment for the library. Scholarships and fellowships decreased \$22.3 million due to decreases in CARES Student Emergency Financial Aid grants relating to COVID relief. Depreciation and amortization increased \$8.0 million.

Capital Assets and Long-Term Debt Activities

Capital Assets

As shown in the following table, the University increased its net capital assets by \$4.2 million during fiscal year 2023 compared to 2022, as restated.

	2023	2022 (as restated)	Changes
Land and Permanent Easements	\$ 78,434,278	\$ 78,287,761	\$ 146,517
Construction in Progress	79,515,722	49,886,411	29,629,311
Computer Software in Development	1,492,702	844,548	648,154
Buildings	2,767,366,435	2,754,679,091	12,687,344
Machinery and Equipment	492,072,585	471,972,597	20,099,988
General Infrastructure	311,852,068	263,410,950	48,441,118
Computer Software	44,384,539	41,791,542	2,592,997
Right-to-Use Leased Buildings	107,817,361	104,522,985	3,294,376
Right-to-Use Leased Machinery and Equipment	18,691,593	18,662,465	29,128
Right-to-Use Subscription Assets	7,484,409	3,213,325	4,271,084
Total Capital Assets	3,909,111,692	3,787,271,675	121,840,017
Accumulated Depreciation/Amortization	(1,575,380,363)	(1,457,769,886)	(117,610,477)
Net Capital Assets	<u>\$ 2,333,731,329</u>	<u>\$ 2,329,501,789</u>	<u>\$ 4,229,540</u>

As of July 1, 2022, the University implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This implementation included the addition of right-to-use subscription assets, which are included in the restated 2022 amounts in the preceding table. More information on this implementation can be seen in Notes 6 and 10 relating to capital assets and lease liability, respectively.

During fiscal year 2023, the University continued construction on new facilities and work on renovations to modernize campus. Funding for these improvements came from funds provided by University debt financing and other capital funding from the State of North Carolina.

In addition to costs incurred, the University had \$58.7 million in outstanding commitments for construction as of June 30, 2023.

Several large capital projects were completed during fiscal year 2023. The Greek Village Phase 4 Infrastructure project, which serves to restore bus routes to the Village and provide a new telecom hub, was completed. This project adds infrastructure to support an increased number of beds consistent with future Greek Village capital projects to add additional townhouses and apartments.

New infrastructure added during the fiscal year also includes upgrades to the Central Campus Electrical Distribution System, part of the University's Power Forward initiative, which will add equipment and technology to make the University's power system safer, more reliable and better protected against outages.

Long-Term Debt Activities

The University incurs long-term debt to finance construction projects and to purchase or lease equipment. As shown in the following table, the University decreased its long-term debt during fiscal year 2023.

	2023	2022	Changes
Revenue Bonds and Revenue Bonds from Direct Placements	\$ 486,460,960	\$ 509,555,091	\$ (23,094,131)
Notes from Direct Borrowings	40,133,591	46,218,657	(6,085,066)
Total Long-term Debt	<u>\$ 526,594,551</u>	<u>\$ 555,773,748</u>	<u>\$ (29,179,197)</u>

Long-term debt decreased \$29.2 million, due to regular principal payments.

Economic Factors That Will Affect the Future

The State of North Carolina continues to experience growth in population and the economy. NC State University is the largest public university provider in the State of North Carolina and continues to grow in many areas. Over 4,800 jobs were created by the University's efforts in economic development during the last fiscal year. The University enjoys a diversified base of revenues, comprised of five major sources: these include tuition and fees, state appropriations, grants and contracts, gifts and endowment income, and sales and services. The University's legacy of groundbreaking research and innovation is a cornerstone of its reputation. The University's ability to secure research grants, foster collaborations with industry partners, and drive technological advancements will continue to be a driving force for economic growth in the region.

The University of North Carolina System ended fiscal year 2022 with an on-time state budget for fiscal year 2023, including pay increases for state employees in the two years (2022 and 2023) of the biennium. State appropriations increased in fiscal year 2023 primarily for academic affairs. The State budget for the current biennium budget (fiscal years 2024 and 2025) was ratified by the General Assembly and became law in October 2023. The State of North Carolina provides significant operational support in the form of annual state appropriations, and one-time and recurring capital support to the University. State appropriations for operations increased in fiscal year 2023 primarily for academic affairs. In the newly enacted biennial budget, the State also provides a 7% salary increase for State employees over the two year budget and significant capital support for major renovations and new buildings on campus, and for building reserves associated with state-funded buildings. The NC General Assembly's multi-year funding of the Engineering NC's Future initiative supports the University's growth in the engineering and computer science program by 4,000 students over a 5 year period. In addition, the College of Veterinary Medicine's class size expansion was included in the UNC Board of Governor's biennial budget request.

The University's ability to attract and retain a student population, encompassing undergraduates, graduates, and non degree-seeking students, significantly impacts its academic and financial health. For fall semester, as of September 2023, the University enrolled more than 38,000 students. The fall semester 2023 incoming first year class of 5,662 students set an institutional record, surpassing fall semester 2022's record-setting class. The UNC System remains committed to affordability and access, and the University's low student tuition and fees continue to result in high demand and a consistent rating as one of the nation's best values in higher education. The University implemented a Fixed Tuition Program as required by North Carolina General Statute § 116-143.9. Beginning with the fall semester 2016, tuition rates at UNC institutions were fixed for eight consecutive semesters for all resident bachelor's degree-seeking freshmen. In addition, the University has not increased resident undergraduate tuition for seven consecutive years. Mandatory student fees are subject to a 3% annual cap on increases. However, mandatory fees have been held to less than a 1% increase in total over the past five year period. The University's total student charges make it

one of the nation's largest, most affordable land grant institutions.

Investments in infrastructure, including capital projects, are linchpins for academic excellence and research capabilities. Modernized classrooms, state-of-the-art research facilities, and enhanced student amenities create an environment conducive to innovation and learning. The University closed fiscal year 2023 with an endowment of just over \$2 billion. With the growth of endowment, the annual endowment spending provided by the endowment grew by \$6 million between fiscal years 2023 and 2024, from \$65 million to \$71 million of annual support. The University will continue to build on the success of the campaign, including the annual Day of Giving which raised over \$34 million in March of 2023. The University has initiated multiple significant capital projects across campus as part of the University's Physical Master Plan.

The University is an engine for research and innovation, and the world is taking notice. Highlights for fiscal year 2023 include over \$460 million in new sponsored research awards and \$1.5 billion in research proposals submitted. The University is fueling the economy with over 90 startups and spin offs based on NC State research, more than \$1.7 billion in financing raised by University startups, and over 70 partners on our Centennial Campus. Research at the University is poised for the future and will continue to be a source of pride and innovation.

Fiscal year 2022-2023 is the second year of the University's new strategic plan, "Wolfpack 2030: Powering the Extraordinary" and information about the goals and initiatives can be found here: <https://strategicplan.ncsu.edu/current-plan/wolfpack-2030-powering-the-extraordinary/>.

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UNIVERSITY FINANCIAL STATEMENTS

NORTH CAROLINA
STATE UNIVERSITY

2023 ANNUAL
FINANCIAL REPORT

North Carolina State University
Statement of Net Position
Proprietary Fund
June 30, 2023

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 345,351,853
Restricted Cash and Cash Equivalents	180,353,903
Receivables, Net (Note 5)	103,200,476
Due from Primary Government	22,588,286
Due from State of North Carolina Component Units	5,891,741
Due from University Component Units	1,990,261
Inventories	7,151,335
Notes Receivable, Net (Note 5)	1,270,175
Leases Receivable	2,199,385
Total Current Assets	669,997,415

Noncurrent Assets:

Restricted Cash and Cash Equivalents	153,533,870
Endowment Investments	526,942,106
Other Investments	147,115,409
Notes Receivable, Net (Note 5)	1,945,856
Leases Receivable	31,031,749
Capital Assets - Nondepreciable (Note 6)	159,442,702
Capital Assets - Depreciable, Net (Note 6)	2,174,288,627
Total Noncurrent Assets	3,194,300,319
Total Assets	3,864,297,734

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Asset Retirement Obligations	13,981,484
Deferred Outflows Related to Pensions (Note 14)	195,014,238
Deferred Outflows Related to Other Postemployment Benefits (Note 15)	174,304,939
Total Deferred Outflows of Resources	383,300,661

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	59,044,306
Due to Primary Government	13,446,628
Due to State of North Carolina Component Units	932,716
Unearned Revenue	82,171,354
Interest Payable	4,923,734
Long-Term Liabilities - Current Portion (Note 9)	49,137,788
Total Current Liabilities	209,656,526

Noncurrent Liabilities:

Deposits Payable	3,917,080
Funds Held for Others	3,363,325
Unearned Revenue	64,377,969
U.S. Government Grants Refundable	1,562,576
Long-Term Liabilities, Net (Note 9)	1,901,018,588
Total Noncurrent Liabilities	1,974,239,538
Total Liabilities	2,183,896,064

North Carolina State University
Statement of Net Position
Proprietary Fund
June 30, 2023

Exhibit A-1
Page 2 of 2

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions (Note 14)	13,626,433
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	455,968,918
Deferred Inflows for Leases	32,628,909
	<hr/>
Total Deferred Inflows of Resources	502,224,260

NET POSITION

Net Investment in Capital Assets	1,704,341,577
Restricted:	
Nonexpendable:	
Scholarships and Fellowships	14,476,959
Endowed Professorships	160,314,895
Departmental Uses	11,409,718
Loans	2,307,236
	<hr/>
Total Restricted-Nonexpendable Net Position	188,508,808
	<hr/>
Expendable:	
Scholarships and Fellowships	50,057,572
Research	34,780,154
Endowed Professorships	181,817,416
Departmental Uses	111,119,214
Loans	1,005,199
Capital Projects	112,481,635
Debt Service	13,368,991
Other	1,983,367
	<hr/>
Total Restricted-Expendable Net Position	506,613,548
	<hr/>
Unrestricted	(837,985,862)
	<hr/>
Total Net Position	\$ 1,561,478,071

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

North Carolina State University
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 12)	\$ 366,610,051
Federal Appropriations	24,639,771
Federal Grants and Contracts	207,886,991
State and Local Grants and Contracts	48,474,937
Nongovernmental Grants and Contracts	116,659,082
Sales and Services, Net (Note 12)	316,646,728
Interest Earnings on Loans	132,875
Other Operating Revenues, Net (Note 12)	18,687,151
	<hr/>
Total Operating Revenues	1,099,737,586

OPERATING EXPENSES

Salaries and Benefits	984,595,986
Supplies and Services	490,825,653
Scholarships and Fellowships	56,703,060
Utilities	36,365,574
Depreciation/Amortization	140,792,578
	<hr/>
Total Operating Expenses	1,709,282,851
	<hr/>
Operating Loss	(609,545,265)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	616,310,706
State Aid - Coronavirus	398,410
Student Financial Aid	56,973,498
Federal Aid - COVID-19	24,088,859
Noncapital Contributions	104,674,751
Investment Income (Net of Investment Expense of \$7,179,835)	18,141,151
Interest and Fees on Debt	(18,654,774)
Other Nonoperating Revenues	7,102,030
	<hr/>
Net Nonoperating Revenues	809,034,631
	<hr/>
Income Before Other Revenues	199,489,366

Capital Appropriations	360,000
Capital Contributions	66,767,187
Additions to Endowments	5,601,709
	<hr/>
Total Other Revenues	72,728,896
	<hr/>
Increase in Net Position	272,218,262

NET POSITION

Net Position - July 1, 2022	1,289,259,809
	<hr/>
Net Position - June 30, 2023	\$ 1,561,478,071

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

North Carolina State University
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,094,967,341
Payments to Employees and Fringe Benefits	(1,155,923,186)
Payments to Vendors and Suppliers	(529,532,203)
Payments for Scholarships and Fellowships	(56,703,060)
Loans Issued	(20,705)
Collection of Loans	1,795,718
Interest Earned on Loans	139,621
William D. Ford Direct Lending Receipts	109,245,377
William D. Ford Direct Lending Disbursements	(108,711,774)
Related Activity Agency Receipts	60,610,892
Related Activity Agency Disbursements	(60,339,915)
Other Receipts	16,077,425
Net Cash Used by Operating Activities	(628,394,469)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	616,310,706
State Aid - Coronavirus	398,410
Student Financial Aid	56,973,498
Federal Aid - COVID-19	24,088,859
Noncapital Contributions	91,461,770
Additions to Endowments	5,601,709
Net Cash Provided by Noncapital Financing Activities	794,834,952

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Capital Appropriations	360,000
Capital Contributions	63,505,545
Proceeds from Sale of Capital Assets	1,819,497
Proceeds from Insurance on Capital Assets	126,843
Proceeds from Lease Arrangements	5,940,589
Acquisition and Construction of Capital Assets	(131,464,500)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(41,534,422)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(20,561,186)
Net Cash Used by Capital Financing and Related Financing Activities	(121,807,634)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	295,790,110
Investment Income	14,597,481
Purchase of Investments and Related Fees	(211,677,521)
Net Cash Provided by Investing Activities	98,710,070
Net Increase in Cash and Cash Equivalents	143,342,919
Cash and Cash Equivalents - July 1, 2022	535,896,707
Cash and Cash Equivalents - June 30, 2023	\$ 679,239,626

North Carolina State University
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (609,545,265)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	140,792,578
Lease Income (Amortized Deferred Inflows of Resources)	(3,530,275)
Other Nonoperating Income	5,501,285
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	11,563,962
Due from Primary Government	(3,648,016)
Inventories	(580,587)
Notes Receivable, Net	1,225,055
Net Other Postemployment Benefits Asset	612,478
Deferred Outflows Related to Asset Retirement Obligations	(148,452)
Deferred Outflows Related to Pensions	(91,812,800)
Deferred Outflows Related to Other Postemployment Benefits	33,753,586
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(1,237,655)
Due to Primary Government	1,744,288
Due to State of North Carolina Component Units	(621,627)
Funds Held for Others	270,977
Unearned Revenue	4,240,994
Net Pension Liability	207,052,600
Net Other Postemployment Benefits Liability	(290,668,527)
Compensated Absences	3,994,475
Deposits Payable	(2,829,829)
Workers' Compensation Liability	(2,121,596)
Pollution Remediation Payable	172,313
Asset Retirement Obligation	497,989
Deferred Inflows Related to Pensions	(121,627,309)
Deferred Inflows Related to Other Postemployment Benefits	88,554,889
Net Cash Used by Operating Activities	<u>\$ (628,394,469)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 16,768,985
Assets Acquired through a Gift	1,271,381
Change in Fair Value of Investments	3,618,914
Loss on Disposal of Capital Assets	(2,769,111)
Amortization of Bond Premiums	(1,920,291)
Increase in Receivables Related to Nonoperating/Other Revenues	12,098,634
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(6,723,903)

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

North Carolina State University
Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2023

Exhibit B-1

	External Investment Pool Funds	Other Funds	Total Custodial Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 32,296,960	\$ 32,296,960
Investments (Note 2):			
Intermediate Investments	23,685,528	-	23,685,528
Long-Term Investments	467,398,221	-	467,398,221
Total Assets	491,083,749	32,296,960	523,380,709
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
LIABILITIES			
Accounts Payable and Accrued Liabilities (Note 7)	-	89,683	89,683
Total Liabilities	-	89,683	89,683
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	-	-	-
NET POSITION			
Restricted for:			
Pool Participants	491,083,749	-	491,083,749
Individuals/Affiliated Organizations	-	32,207,277	32,207,277
Total Fiduciary Net Position	\$ 491,083,749	\$ 32,207,277	\$ 523,291,026

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

North Carolina State University
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Fiscal Year Ended June 30, 2023

Exhibit B-2

	External Investment Pool Funds	Other Funds	Total Custodial Funds
ADDITIONS			
Contributions:			
Pool Participants	\$ 67,399,603	\$ -	\$ 67,399,603
Individuals/Affiliated Organizations	-	57,733,720	57,733,720
Total Contributions	67,399,603	57,733,720	125,133,323
Investment Activity:			
Investment Income	6,742,835	733,011	7,475,846
Total Additions	74,142,438	58,466,731	132,609,169
DEDUCTIONS			
Withdrawals and Distributions	22,595,105	71,543,042	94,138,147
Increase (Decrease) in Fiduciary Net Position	51,547,333	(13,076,311)	38,471,022
NET POSITION			
Net Position - July 1, 2022	439,536,416	45,283,588	484,820,004
Net Position - June 30, 2023	\$ 491,083,749	\$ 32,207,277	\$ 523,291,026

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

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COMPONENT UNIT FINANCIAL STATEMENTS

NORTH CAROLINA
STATE UNIVERSITY

2023 ANNUAL
FINANCIAL REPORT

North Carolina State University Foundations
Statement of Financial Position
June 30, 2023

Exhibit C-1

	North Carolina State University Foundation, Inc.	The North Carolina Agricultural Foundation, Inc.
ASSETS		
Cash and Cash Equivalents	\$ 37,229,960	\$ 23,373,006
Intermediate Investments	31,082,486	35,358,933
Long-Term Investments	585,607,909	156,815,365
Assets Held in Charitable Trusts and Annuities	6,777,566	-
Donated Property and Land	2,036,350	31,998,199
Receivables, Net	7,995	1,093,841
Pledges Receivable/Promises	22,849,687	2,412,703
Property and Equipment, Net	5,483,780	50,988
Other Assets	206,224	20,512
Total Assets	<u>\$ 691,281,957</u>	<u>\$ 251,123,547</u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 843,825	\$ 647,308
Due to University	-	1,990,261
Due to Others	220,020	65,204
Life Income Funds Payable	8,374,191	4,193,850
Deferred Revenue	-	156,955
Funds Held for Others	88,075	205,646
Total Liabilities	<u>9,526,111</u>	<u>7,259,224</u>
NET ASSETS		
Without Donor Restrictions	21,518,816	4,694,604
With Donor Restrictions	660,237,030	239,169,719
Total Net Assets	<u>681,755,846</u>	<u>243,864,323</u>
Total Liabilities and Net Assets	<u>\$ 691,281,957</u>	<u>\$ 251,123,547</u>

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

North Carolina State University Foundations
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Exhibit C-2

	North Carolina State University Foundation, Inc.	The North Carolina Agricultural Foundation, Inc.
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Gains:		
Contributions	\$ 49,975	\$ 154,704
Donated Services and Salaries	644,000	2,457,000
Net Investment Income	725,145	921,828
Other Income	430,448	-
Net Assets Released from Restrictions: Program or Time Restrictions	38,649,758	18,483,648
	<u>40,499,326</u>	<u>22,017,180</u>
Total Revenues and Gains Without Donor Restrictions		
	<u>40,499,326</u>	<u>22,017,180</u>
Expenses:		
Scholarships and Fellowships	14,205,500	2,467,717
University Support	12,230,205	12,985,871
Capital Support	775,206	2,704,459
Administrative	377,910	290,500
Fund Raising	11,991,828	3,049,914
Other	877,682	35,549
	<u>40,458,331</u>	<u>21,534,010</u>
Total Expenses		
	<u>40,458,331</u>	<u>21,534,010</u>
Increase in Net Assets Without Donor Restrictions	<u>40,995</u>	<u>483,170</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	30,347,034	14,176,041
Grant Revenue	-	449,803
Change in Pledges Receivables	(399,404)	(865,555)
Disposal of Other Assets	253,668	-
Net Investment Income	9,637,243	2,268,723
Royalties	-	275,148
Change in Value of Split Interest Agreements and Trusts	(417,734)	563,476
Other Income	7,435,061	2,577,340
Net Assets Released from Restrictions: Program or Time Restrictions	(38,649,758)	(18,483,648)
	<u>8,206,110</u>	<u>961,328</u>
Increase in Net Assets With Donor Restrictions		
	<u>8,206,110</u>	<u>961,328</u>
Increase in Net Assets	8,247,105	1,444,498
Net Assets at Beginning of Year	673,508,741	242,419,825
Net Assets at End of Year	<u>\$ 681,755,846</u>	<u>\$ 243,864,323</u>

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



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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds belonging to the University and its component 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 either blended or discretely presented 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 NC State Investment Fund, Inc. (Investment Fund) and the NC State University Partnership Corporation (Corporation), component units of the University, are reported as if they were part of the University.

The Investment Fund is governed by a board consisting of nine ex officio members and nine elected members. 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. The Investment Fund is a governmental external investment pool. Because the elected directors of the Investment Fund are appointed by the members of the North Carolina State University Board of Trustees and the Investment Fund's primary purpose is to benefit North Carolina State University, its financial statements have been blended with those of the University.

The Corporation is governed by a four member Board of Directors appointed based on their positions held with North Carolina State University. Additional members of the board may be appointed by the Chancellor of North Carolina State University. The Corporation's purpose is to support and benefit the University with the aims of creating new knowledge and improving the lives of the people of North Carolina. The Corporation formed NC State University Centennial Development, LLC on January 25, 2002 to construct, own and operate a golf course located on the North Carolina State University Centennial Campus. In addition, the Corporation formed NC State Upfit, LLC on October 27, 2006 to develop, construct, own, finance, manage and otherwise upfit facilities and other infrastructure on Centennial Campus. Also, the Corporation formed NC State CBC Land I, LLC on June 1, 2007 to acquire, develop, own, lease, hold, manage, sell, and otherwise exercise all right of ownership of land and flex lab facilities on Centennial Biomedical Campus. Additionally,

the Corporation formed NC State American Home, LLC on August 8, 2007 and changed its name to Bell Tower Holdings LLC on December 14, 2009. The purposes of Bell Tower Holdings LLC are to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all right of ownership of real property and enter into any related agreements for assisting with the acquisition, development, financing, construction, management and operation of real property. On March 31, 2008 the Corporation formed NC State CC Holdings I, LLC to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all right of ownership of land and facilities on Centennial Campus. Leaders in Innovation and Nonwovens Commercialization, LLC (LINC), was established on July 9, 2012 to foster economic development and creation of new knowledge by facilitating commercialization of technologies developed at the Nonwovens Institute at NC State University. On September 27, 2016, the Corporation established the Wolfpack Investor Network, LLC (WIN) to connect the NC State alumni network with the NC State entrepreneurial community. C2I, LLC was formed on December 21, 2018 to act as an intermediary between the University and private parties in connection with certain real estate operations, execute innovation space management agreements, and procure resources for enhanced innovation activation and programming. On February 19, 2020, NC State Research, LLC was formed to manage, operate, host and oversee research related operations, unity, activities and initiatives of North Carolina State University faculty, departments, centers and institutes, as well as federal agencies. Because the Corporation's Board consists of University employees and members appointed by the Chancellor and its sole purpose is to support and benefit the University, the Corporation and the LLCs are considered part of the University for financial reporting purposes.

Separate financial statements for the Investment Fund and for the Corporation and the LLCs may be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

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

Discretely Presented Component Units - The North Carolina State University Foundation, Inc. (Foundation) and The North Carolina Agricultural Foundation, Inc. (Agricultural Foundation) are legally separate nonprofit corporations and are reported as discretely presented component units based on the nature and significance of their relationship to the University.

The Foundation and Agricultural Foundation are legally separate, tax-exempt component units of the University. These entities act primarily as fund-raising organizations to supplement the resources that are available to the University in support of its programs. Separate Boards of Directors govern these entities independent of the University's Board of Trustees. Although the University does not control the timing or amount of receipts from these entities, the majority of resources, or income thereon that these entities hold and invest are restricted to the activities of the University by the donors. Because these restricted resources held by these entities can only be used by, or for the benefit of the University, these entities are considered component units of the University and are reported in separate financial statements because of the difference in their reporting model, as described below.

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

During the year ended June 30, 2023, the Foundation distributed \$31,058,067 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

During the year ended June 30, 2023, the Agricultural Foundation distributed \$15,786,899 to the University for both restricted and unrestricted purposes. Complete financial statements for the Agricultural Foundation can be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

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 Funds - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of individuals, affiliated organizations, and other external parties. Custodial funds include the external portion of the NC State Investment Fund as well as resources held on behalf of individuals and other external organizations.

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, savings accounts, money market accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

Domestic stocks are reported at cost since there are no readily determinable fair values. These investments consist of technology transfer stocks and the Wolfpack Investor Network's Seed Capital Endowment Fund stocks.

The Kamphoefner art collection, a gift to the Endowment Fund in 1979, is recorded at estimated fair value as of the date of donation. Mineral rights were a gift to the Endowment Fund in 1987. The most recent sale from 2016 was used to adjust the value per acre.

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.

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

G. Inventories - Inventories, consisting of expendable supplies and merchandise for resale, are valued at cost using the first-in, first-out method. Exceptions are the bookstore, which uses the retail inventory method, and the physical plant, which uses the moving weighted average 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 except for internally

generated computer software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-50 years
Machinery and Equipment	4-22 years
General Infrastructure	15-75 years
Computer Software	2-15 years

The University does not capitalize its Arts and Design or Historic collections. These collections adhere to the University's policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve; and require proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of \$1,000,000 or greater and an estimated useful life of more than one year. When remaining lease payments or receipts are below this threshold, lease transactions are recognized as revenues or expenses, unless required for tracking purposes by current University business practices. This threshold should only be applied once upon entering into a lease agreement as defined by GASB Statement No. 87, *Leases*.

Subscription liabilities are capitalized as a right-to-use asset when management determines that costs should be tracked for financial reporting purposes and the estimated useful life is more than one year.

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

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

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

All 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, revenue bonds from direct placement, and notes from direct borrowings. Other long-term liabilities include: pollution remediation, asset retirement obligations, lease liabilities, subscription liabilities, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

Revenue bonds are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. Losses on refunding and issuance costs on bonds are not material to the accompanying financial statements and are expensed in the year 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 2022 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund and Disability Income Plan of North Carolina. See Note 15 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

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

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

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

Proprietary Fund

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities.

When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 11 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

Fiduciary Funds

Restricted Net Position - Fiduciary net position includes resources held in a custodial capacity for external pool participants in the University's External Investment Fund and for other organizations; these resources 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 Central Stores, the Creamery, Telecommunications, Physical Plant, and Motor Pool. 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, 2023, the amount shown on the Statement of Net Position and the Statement of Fiduciary Net Position as cash and cash equivalents includes \$675,490,343 for the proprietary fund and \$32,296,960 for the fiduciary funds, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.7 years as of June 30, 2023. 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, 2023 was \$15,809. The carrying amount of the University's deposits not with the State Treasurer was \$3,733,474, and the bank balance was \$3,727,190. 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 follows the Cash Management Plan (Plan) approved by the North Carolina Office of the State Controller. As provided by the Plan, imprest checking accounts are established with outside banks when considered effective in meeting management objectives. All imprest checking accounts are authorized by the University Treasurer and are limited to the minimum amount needed for sanctioned purposes. In addition, pursuant to G.S. 116-36(e), the University invests certain endowment funds with outside bank accounts. The University does not have a deposit policy for custodial credit risk. As of June 30, 2023, the University's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$3,144,061.

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 Endowment Fund, including those invested in the Investment Fund, a University component unit, 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 does not have a formal policy that addresses interest rate risk.

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

Investment Fund - The Investment Fund began operations in April 1999 and is classified as a non-rated 2a7-like governmental external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Endowment Fund of North Carolina State University, The North Carolina Agricultural Foundation, Inc., and the North Carolina State University Foundation, Inc. represent the Investment Fund's internal participants. The North Carolina Agricultural Foundation, Inc. and the North Carolina State University Foundation, Inc. are discretely presented component units in the financial statements. Other affiliated organizations not included in the University's reporting entity represent the Investment Fund's external participants. The external portion of the Investment Fund is presented in the accompanying fiduciary fund financial statements. The Investment Fund includes the Long-Term Investment Pool (LTIP) and the Intermediate Term Fund (ITF), which was established on July 3, 2014 for the collective investment of the participants' excess operating funds.

Oversight of the Investment Fund is provided by its Members Board and Board of Directors. The Members Board is responsible for providing governance and oversight to the Investment Fund. The Members Board has chosen not to make individual security or manager selection decisions. The Board of Directors' primary role is to oversee all aspects of the investment program, including development of the Investment Policy, in a prudent manner with regard to preserving principal while providing reasonable returns.

Bank of New York Mellon is the custodian for the Investment Fund and provides the University with quarterly statements defining income and fair value information, which is then allocated among the fund's participants. Each participant holds Master Trust Units of the Investment Fund. The unit price fluctuates based on the investment experience of the investment pool. There are no involuntary participants in the Investment Fund. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Investment Fund's investments. The annual financial report for the Investment Fund may be obtained from the Foundations Accounting and Investment Office, Campus Box 7207, Raleigh, NC 27695 or by calling (919) 513-7149 or at: <https://investments.ofa.ncsu.edu>.

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

The following table presents investments by type and investments subject to interest rate risk at June 30, 2023, for the Investment Fund.

Investment Fund

Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Collective Investment Funds	\$ 165,730,172	\$ 132,215,527	\$ -	\$ 33,514,645
Debt Mutual Funds	319,158,811	22,343,716	272,181,584	24,633,511
Total Debt Securities	484,888,983	<u>\$ 154,559,243</u>	<u>\$ 272,181,584</u>	<u>\$ 58,148,156</u>
Other Securities				
UNC Investment Fund	1,253,488,614			
Private Equity Limited Partnerships	135,115,368			
Total Investment Fund	<u>\$ 1,873,492,965</u>			

At June 30, 2023, investments in the Investment Fund had the following credit quality distribution for securities with credit exposure (based on S&P rating):

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Collective Investment Funds	\$ 165,730,172	\$ -	\$ 33,514,645	\$ -	\$ -	\$ -	\$ 132,215,527
Debt Mutual Funds	319,158,811	44,228,400	40,494,795	220,739,140	-	-	13,696,476
Totals	<u>\$ 484,888,983</u>	<u>\$ 44,228,400</u>	<u>\$ 74,009,440</u>	<u>\$ 220,739,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,912,003</u>

UNC Investment Fund, LLC - At June 30, 2023, the University's investments include \$1,253,488,614, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments - The following table presents investments by type at June 30, 2023, for the University's non-pooled investments.

Non-Pooled Investments

Investment Type	Amount
Domestic Stocks	\$ 381,791
Collections and Mineral Rights	65,134
Total Non-Pooled Investments	<u>\$ 446,925</u>

Total Investments - The following table presents the total investments at June 30, 2023:

Investment Type	<u>Amount</u>
Debt Securities	
Collective Investment Funds	\$ 165,730,172
Debt Mutual Funds	319,158,811
Other Securities	
UNC Investment Fund	1,253,488,614
Private Equity Limited Partnerships	135,115,368
Domestic Stocks	381,791
Collections and Mineral Rights	65,134
Total Investments	<u><u>\$ 1,873,939,890</u></u>

Total investments include \$708,798,627 held in the Investment Fund for the North Carolina State University Foundation, Inc. and The North Carolina Agricultural Foundation, Inc. This amount is excluded from the University prepared financial statements and included in the accompanying component unit financial statements.

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the University as of June 30, 2023, is as follows:

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash on Hand	\$ 15,809	\$ -	\$ 15,809
Amount of Deposits with Private Financial Instit	3,733,474	-	3,733,474
Deposits in the Short-Term Investment Fund	675,490,343	32,296,960	707,787,303
Investment Fund	673,610,590	491,083,749	1,164,694,339
Non-Pooled Investments	446,925	-	446,925
Total Deposits and Investments	<u><u>\$ 1,353,297,141</u></u>	<u><u>\$ 523,380,709</u></u>	<u><u>\$1,876,677,850</u></u>
Deposits			
Current:			
Cash and Cash Equivalents	\$ 345,351,853	\$ 32,296,960	\$ 377,648,813
Restricted Cash and Cash Equivalents	180,353,903	-	180,353,903
Noncurrent:			
Restricted Cash and Cash Equivalents	153,533,870	-	153,533,870
Total Deposits	<u>679,239,626</u>	<u>32,296,960</u>	<u>711,536,586</u>
Investments			
Noncurrent:			
Endowment Investments	526,942,106	-	526,942,106
Other Long-Term Investments	147,115,409	-	147,115,409
Intermediate Term Investments	-	23,685,528	23,685,528
Long-Term Investments	-	467,398,221	467,398,221
Total Investments	<u>674,057,515</u>	<u>491,083,749</u>	<u>1,165,141,264</u>
Total Deposits and Investments	<u><u>\$ 1,353,297,141</u></u>	<u><u>\$ 523,380,709</u></u>	<u><u>\$1,876,677,850</u></u>

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the University's investments are recorded at fair value as of June 30, 2023. 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, 2023:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Collective Investment Funds	\$ 165,730,172	\$ 165,730,172	\$ -	\$ -
Debt Mutual Funds	319,158,811	319,158,811	-	-
Total Investments by Fair Value Level	484,888,983	\$ 484,888,983	\$ -	\$ -
Investments Measured at the Net Asset Value (NAV)				
Private Equity Limited Partnerships	135,115,368			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	707,787,303			
UNC Investment Fund	1,253,488,614			
Total Investments as a Position in an External Investment Pool	1,961,275,917			
Total Investments Measured at Fair Value	\$ 2,581,280,268			

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

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

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

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2023.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Equity Limited Partnerships	<u>\$ 135,115,368</u>	<u>\$ 70,410,270</u>	N/A	N/A

Private Equity Limited Partnerships - Private equities include venture capital partnerships, buy-outs, and international funds. The valuation of the underlying private companies requires significant judgment and interpretation by the general partners of the underlying investment partnerships due to the absence of quoted market values, inherent lack of liquidity, and the long-term nature of such investments. Private companies are initially valued based upon transaction price, with subsequent adjustments to values which reflect the consideration of available market data, including primarily observations of the trading multiples of public companies considered comparable to the private companies being valued. Valuations are also adjusted to give consideration to the financial condition and operating results specific to the issuer, the lack of liquidity inherent in a non-public investment, credit markets, and the fact that comparable public companies are not identical to the companies being valued.

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 pooled endowment funds are determined by applying 4% (the Board approved spending rate) to the average market value of the long term investment pool (for a twenty quarter period), divided by the number of investment units in the pool to determine the "average spending amount" per unit of investment. The individual endowment fund payout or spending budget is then determined by applying the "average spending amount" to the number of investment units held by the individual endowment fund. 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 and unrestricted, expendable net position endowment balances to make up the difference. At June 30, 2023, net appreciation of \$353,660,754 was available to be spent, of which \$326,210,216 was restricted to specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

NOTE 5 - RECEIVABLES

Receivables for the proprietary fund at June 30, 2023, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,785,473	\$ 1,257,437	\$ 1,528,036
Student Sponsors	1,044,877	-	1,044,877
Accounts	16,146,725	3,666,183	12,480,542
Intergovernmental	56,109,686	-	56,109,686
Grant Sponsors	32,015,969	-	32,015,969
Interest on Loans	85,455	64,089	21,366
Total Current Receivables	\$ 108,188,185	\$ 4,987,709	\$ 103,200,476
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 956,136	\$ 11,808	\$ 944,328
Institutional Student Loan Programs	325,847	-	325,847
Total Notes Receivable - Current	\$ 1,281,983	\$ 11,808	\$ 1,270,175
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 2,104,387	\$ 264,840	\$ 1,839,547
Institutional Student Loan Programs	172,519	66,210	106,309
Total Notes Receivable - Noncurrent	\$ 2,276,906	\$ 331,050	\$ 1,945,856

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022 (as Restated)	Increases	Decreases	Balance June 30, 2023
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 78,287,761	\$ 176,517	\$ 30,000	\$ 78,434,278
Construction in Progress	49,886,411	91,446,706	61,817,395	79,515,722
Computer Software in Development	844,548	3,240,771	2,592,617	1,492,702
Total Capital Assets, Nondepreciable	129,018,720	94,863,994	64,440,012	159,442,702
Capital Assets, Depreciable:				
Buildings	2,754,679,091	13,376,277	688,933	2,767,366,435
Machinery and Equipment	471,972,597	44,577,331	24,477,343	492,072,585
General Infrastructure	263,410,950	48,441,118	-	311,852,068
Computer Software	41,791,542	2,592,997	-	44,384,539
Right-to-Use Leased Buildings	104,522,985	4,106,281	811,905	107,817,361
Right-to-Use Leased Machinery and Equipment	18,662,465	29,171	43	18,691,593
Right-to-Use Subscription Assets	3,213,325	4,271,084	-	7,484,409
Total Capital Assets, Depreciable	3,658,252,955	117,394,259	25,978,224	3,749,668,990
Less Accumulated Depreciation/Amortization for:				
Buildings	1,024,337,994	84,388,201	661,921	1,108,064,274
Machinery and Equipment	288,516,465	30,182,562	21,708,276	296,990,751
General Infrastructure	97,516,043	7,094,388	-	104,610,431
Computer Software	33,161,308	3,287,319	-	36,448,627
Right-to-Use Leased Buildings	11,675,845	12,012,584	811,904	22,876,525
Right-to-Use Leased Machinery and Equipment	2,562,231	2,388,368	-	4,950,599
Right-to-Use Subscription Assets	-	1,439,156	-	1,439,156
Total Accumulated Depreciation/Amortization	1,457,769,886	140,792,578	23,182,101	1,575,380,363
Total Capital Assets, Depreciable, Net	2,200,483,069	(23,398,319)	2,796,123	2,174,288,627
Capital Assets, Net	\$ 2,329,501,789	\$ 71,465,675	\$ 67,236,135	\$ 2,333,731,329

As of June 30, 2023, the total amount of right-to-use leased and subscription assets was \$126,508,954 and \$7,484,409 respectively, and the related accumulated amortization was \$27,827,124 and \$1,439,156, respectively.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2023, were as follows:

	Proprietary Fund	Fiduciary Fund
Current Accounts Payable and Accrued Liabilities		
Accounts Payable	\$ 26,642,590	\$ 89,683
Accounts Payable - Capital Assets	18,668,670	-
Accrued Payroll	9,528,413	-
Contract Retainage	3,359,708	-
Other	844,925	-
Total Current Accounts Payable and Accrued Liabilities	\$ 59,044,306	\$ 89,683

NOTE 8 - SHORT-TERM DEBT – COMMERCIAL PAPER PROGRAM AND LINE OF CREDIT

The University has available Commercial Paper Program financing for short-term debt credit up to \$100,000,000 to finance capital construction projects. The University's available funds are pledged to the Commercial Paper Program financing with the anticipation of converting to general revenue bond financing in the future. The commercial paper contains a provision that on the occurrence and continuance of an event of default, the Trustee may, or if required by a majority of the owners of the bonds, must, declare the bonds to be immediately due and payable (except if matured installments are paid before any judgment or decree is obtained). Events of default are defined as (1) failure to make any payment when due or (2) failure to perform any covenant, condition, agreement, or provision (other than failure to pay), which failure continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied. The Commercial Paper program was unused during the year ended June 30, 2023 and has no outstanding balance.

The NC State University Partnership Corporation (Corporation), through the NC State University Centennial Development LLC, has available a Line of Credit, from TowneBank, up to \$300,000 for operations at the Lonnie Poole Golf Course. The line is unsecured and must maintain a zero balance for at least 30 consecutive days during each twelve months. The Line of Credit contains an event of default provision that if the Corporation is unable to make any payment when due, all commitments and obligations of the Lender immediately will terminate and, at Lender's option, all indebtedness immediately will become due and payable. Also, upon default, the interest rate on the Line of Credit will be increased by an additional 3% margin, subject to the maximum interest rate limitations under applicable law. As of June 30, 2023, the Line of Credit balance was zero.

Unused Line of Credit –The NC State University Partnership Corporation, through the NC State University Centennial Development LLC Line of Credit from TowneBank was unused during the year ended June 30, 2023 and has no outstanding balance.

NOTE 9 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022 (as Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 455,045,000	\$ -	\$ 16,650,000	\$ 438,395,000	\$18,090,000
Bonds from Direct Placements	29,008,898	-	4,523,840	24,485,058	3,629,012
Plus: Unamortized Premium	25,501,193	-	1,920,291	23,580,902	-
Total Revenue Bonds Payable and Bonds from Direct Placements, Net	509,555,091	-	23,094,131	486,460,960	21,719,012
Notes from Direct Borrowings	46,218,657	-	6,085,066	40,133,591	6,600,585
Total Long-Term Debt	555,773,748	-	29,179,197	526,594,551	28,319,597
Other Long-Term Liabilities					
Pollution Remediation Payable	4,170,753	600,000	427,687	4,343,066	432,677
Asset Retirement Obligations	15,102,433	497,989	-	15,600,422	-
Lease Liabilities	110,706,929	4,135,452	12,739,191	102,103,190	12,799,481
Subscription (SBITA) Liabilities	3,213,325	4,271,084	1,536,325	5,948,084	1,534,560
Employee Benefits					
Compensated Absences	86,592,293	59,372,736	55,378,261	90,586,768	4,614,856
Net Pension Liability	103,019,563	207,052,600	-	310,072,163	-
Net Other Postemployment Benefits Liability	1,183,066,098	1,096,116	298,488,546	885,673,668	-
Workers' Compensation	11,356,059	2,543,223	4,664,818	9,234,464	1,436,617
Total Other Long-Term Liabilities	1,517,227,453	279,569,200	373,234,828	1,423,561,825	20,818,191
Total Long-Term Liabilities, Net	\$ 2,073,001,201	\$ 279,569,200	\$ 402,414,025	\$ 1,950,156,376	\$49,137,788

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

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

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

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

- B. Revenue Bonds Payable 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 Outstanding June 30, 2023
General Revenue					
Adv Refund 2005A / Wolf Ridge Housing	2013A	2% - 5%	10/01/2023	132,440,000	2,550,000
Adv Refund 2005A / Talley Student Union	2013B	2.223% - 4%	10/01/2041	141,650,000	122,465,000
Refund 2003B and 2015	2018	5%	10/01/2028	87,165,000	52,935,000
Refund 2010B / Carmichael	2020A	2.375% - 5%	10/01/2044	82,335,000	81,770,000
Adv Refund 2013A / Fitts-Woolard; Plant Sciences	2020B	0.702% - 3.02%	10/01/2042	184,445,000	178,675,000
Total Revenue Bonds Payable				<u>628,035,000</u>	<u>438,395,000</u>
General Revenue Bonds from Direct Placements					
Various Construction Projects	2017	2.58%	10/01/2031	<u>50,438,952</u>	<u>24,485,058</u>
Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)				<u>\$ 678,473,952</u>	462,880,058
Plus: Unamortized Premium					<u>23,580,902</u>
Total Revenue Bonds Payable and Bonds from Direct Placements, Net					<u>\$ 486,460,960</u>

- 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, 2023
Energy Conservation Loan	Truist	3.245%	09/01/2028	\$ 19,700,703	\$ 9,054,750
Energy Conservation Loan	Bank of America	4.07%	08/17/2028	<u>56,060,010</u>	<u>31,078,841</u>
Total Notes from Direct Borrowings				<u>\$ 75,760,713</u>	<u>\$ 40,133,591</u>

- D. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2023, are as follows:

Fiscal Year	Annual Requirements					
	Revenue Bonds Payable		Bonds from Direct Placements		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 18,090,000	\$ 14,400,224	\$ 3,629,012	\$ 584,900	\$ 6,600,585	\$ 1,446,955
2025	18,785,000	13,676,476	3,419,944	493,969	7,194,131	1,180,859
2026	19,370,000	12,975,472	3,358,417	406,528	7,747,122	892,109
2027	20,745,000	12,241,225	2,477,845	331,240	8,370,524	580,329
2028	21,055,000	11,480,184	2,542,608	266,476	9,156,192	240,986
2029-2033	124,165,000	45,500,573	9,057,232	452,425	1,065,037	5,117
2034-2038	94,470,000	28,719,560	-	-	-	-
2039-2043	112,110,000	10,946,095	-	-	-	-
2044 - 2045	9,605,000	229,484	-	-	-	-
Total Requirements	<u>\$ 438,395,000</u>	<u>\$ 150,169,293</u>	<u>\$ 24,485,058</u>	<u>\$ 2,535,538</u>	<u>\$ 40,133,591</u>	<u>\$ 4,346,355</u>

- 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 and Revenue Bonds from Direct Placements - The outstanding revenue bonds and revenue bonds from direct placement contain provisions that on the occurrence and continuance of an event of default, the Trustee may, or if required by a majority of the owners of the bonds, must, declare the bonds to be immediately due and payable (except if matured installments are paid before any judgment or decree is obtained). Events of default are defined as (1) failure to make any payment when due or (2) failure to perform any covenant, condition, agreement, or provision (other than failure to pay), which failure continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied.

Notes from Direct Borrowings - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for the outstanding notes from direct borrowings. The outstanding notes from direct borrowings also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, or (3) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days.

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

- F. 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, 2023, the outstanding balance of prior year defeased bonds was \$113,945,000.

- G. Pollution Remediation Payable** - The University has recognized a pollution remediation liability for remediation of Lot 86 which the University used as a burial site for hazardous chemical and low level radioactive waste generated in the University's laboratories. The amount of the estimated liability is \$4,343,066. This estimate was calculated at its expected amount, using the expected cash flow technique. This liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

- H. Asset Retirement Obligations** - The University has asset retirement obligations arising from federal regulations to perform certain decommissioning activities at the time of disposal of its PULSTAR reactor facility. These activities include removal of all activated reactor components, demolition of the reactor biological shield, and disposal costs for

radioactive materials. The amount of the estimated liability is \$15,600,422. The liability was estimated by analyzing the actual decommissioning costs of a representative university reactor facility and adjusting the costs to be consistent with the NC State PULSTAR facility. Costs were also adjusted for the effects of inflation. At year-end, the estimated remaining useful life of the PULSTAR reactor facility was 41 years. In accordance with 10 CFR 50.75(e)(1)(iv), the University has provided the following Statement of Intent regarding decommissioning funding. The University is a State government organization and decommissioning funding obligations are fully backed by the State of North Carolina. Decommissioning funds will be appropriated when necessary following the provisions of NC General Statute 116-11(9)(a).

NOTE 10 - LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

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

During the year ended June 30, 2023, the University recognized operating revenues related to lessor arrangements totaling \$3,530,275, and nonoperating lease interest income totaling \$2,340,258. During the year the University did not recognize any variable payment amounts. The lease receivable includes \$1,019,735 for a sublease with Appalachian State University (a constituent university of the University of North Carolina System) for the right to use part of a building located on the North Carolina Research Campus. The sublease has a remaining lease term of seven years.

The University's lessor arrangements at June 30, 2023, are summarized below (excluding short-term leases):

<u>Classification:</u>	<u>Number of Lease Contracts</u>	<u>Lease Receivable June 30, 2023</u>	<u>Current Portion</u>	<u>Lease Terms ⁽¹⁾</u>	<u>Interest Rate/ Ranges</u>
Lessor:					
Land	17	\$ 24,892,567	\$ 41,154	48.4 years	6.25% - 8.5%
Buildings	24	8,338,567	2,158,231	5.8 years	8.5%
Total	<u>41</u>	<u>\$ 33,231,134</u>	<u>\$ 2,199,385</u>		

(1) The lease terms were calculated using weighted averages based on lease receivable amounts.

B. Lessee Arrangements – The University has lease agreements for the right to use office space and equipment from both external and related parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated

per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the lease liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the lease liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of \$23,123 for these changes in variable payments not previously included in the measurement of the lease liability. The lease liability includes \$43,319,492 for a use agreement with the Centennial Authority (a component unit of the State of North Carolina) for men's basketball games at the PNC Arena (see Note 18). The use agreement has a remaining lease term of 73 years.

The University's lessee arrangements at June 30, 2023, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liability June 30, 2023	Current Portion	Lease Terms ⁽¹⁾	Interest Rate/Ranges
Lessee:					
Right-to-use Leased Buildings	34	\$ 88,123,092	\$ 10,451,465	38.4 years	0.316% - 10%
Right-to-use Leased Machinery and Equipment	7	13,980,098	2,348,016	5.98 years	1.527% - 6%
Total	41	\$ 102,103,190	\$ 12,799,481		

(1) The lease terms were calculated using weighted averages based on lease liability amounts.

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

During the year the University did not recognize any variable payment amounts.

The University's SBITAs at June 30, 2023, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liability June 30, 2023	Current Portion	SBITA Terms ⁽¹⁾ and Conditions	Interest Rate
Right-to-use Subscription Assets	9	\$ 5,948,084	\$ 1,534,560	4.25 years	4.1%

(1) The SBITA terms were calculated using weighted averages based on subscription liability amounts.

D. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2023, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		Subscription(SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2024	\$ 12,799,481	\$ 2,484,512	\$ 1,534,560	\$ 203,042
2025	12,409,172	2,145,162	2,241,583	133,252
2026	9,777,348	1,818,030	1,130,434	58,003
2027	8,540,128	1,524,480	575,124	26,998
2028	6,250,640	1,383,524	466,383	4,987
2029-2033	9,006,928	6,125,787	-	-
2034-2038	-	6,025,804	-	-
2039-2043	-	6,101,603	-	-
2044-2048	-	6,132,900	-	-
2049-2053	-	6,098,502	-	-
2054-2058	-	5,995,414	-	-
2059-2063	-	5,805,182	-	-
2064-2068	2,157,961	5,513,111	-	-
2069-2073	3,799,081	5,089,689	-	-
2074-2078	5,054,818	4,520,162	-	-
2079-2083	6,540,227	3,773,894	-	-
2084-2088	8,290,050	2,820,219	-	-
2089-2093	10,350,045	1,617,766	-	-
2094-2098	7,127,311	276,423	-	-
Total Requirements	\$ 102,103,190	\$ 75,252,164	\$ 5,948,084	\$ 426,282

NOTE 11 - NET POSITION

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (128,684,358)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(1,167,337,647)</u>
Effect on Unrestricted Net Position	(1,296,022,005)
Total Unrestricted Net Position Before Recognition of Deferred Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>458,036,143</u>
Total Unrestricted Net Position	<u>\$ (837,985,862)</u>

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

NOTE 12 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$488,249,987</u>	<u>\$ 121,458,282</u>	<u>\$ 181,654</u>	<u>\$366,610,051</u>
Sales and Services, Net	<u>\$343,194,160</u>	<u>\$ 26,103,028</u>	<u>\$ 444,404</u>	<u>\$316,646,728</u>
Other Revenues, Net	<u>\$ 18,961,885</u>	<u>\$ -</u>	<u>\$ 274,734</u>	<u>\$ 18,687,151</u>

NOTE 13 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$411,263,745	\$ 76,100,164	\$ -	\$ -	-	\$ 487,363,909
Research	199,926,043	125,476,897	-	892,381	-	326,295,321
Public Service	77,415,444	51,861,595	-	481,342	-	129,758,381
Academic Support	50,686,355	56,645,684	-	52,167	-	107,384,206
Student Services	21,742,061	17,222,316	-	-	-	38,964,377
Institutional Support	93,153,806	31,181,907	-	51,081	-	124,386,794
Operations and Maintenance of Plant	37,476,571	24,622,386	-	26,090,090	-	88,189,047
Student Financial Aid	1,492,769	3,151,837	56,703,060	-	-	61,347,666
Auxiliary Enterprises	91,439,192	104,562,867	-	8,798,513	-	204,800,572
Depreciation/ Amortization	-	-	-	-	140,792,578	140,792,578
Total Operating Expenses	<u>\$984,595,986</u>	<u>\$ 490,825,653</u>	<u>\$56,703,060</u>	<u>\$ 36,365,574</u>	<u>\$140,792,578</u>	<u>\$1,709,282,851</u>

NOTE 14 - PENSION PLANS

A. Defined Benefit Plan

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

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2023 was 17.38% of covered payroll. Plan members' contributions to the pension plan were \$23,202,606, and the University's contributions were \$67,210,215 for the year ended June 30, 2023.

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 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about

the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2022 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2023, the University reported a liability of \$310,072,163 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the University's proportion was 2.08912%, which was a decrease of 0.11093 from its proportion measured as of June 30, 2021, which was 2.20005%.

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	12/31/2021
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity factor.

** Investment rate of return includes inflation of pension plan investment expense.

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Incomm	5.0%
Inflation Sensitive	2.7%

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

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2021 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, 2022 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate</u>	<u>1% Increase (7.5%)</u>
\$ 548,223,382	\$ 310,072,163	\$ 113,497,377

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2023, the University recognized pension expense of \$62,040,305. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ 1,350,073	\$ 4,226,332
Changes of Assumptions	24,463,512	-
Net Difference Between Projected and Actual Earnings on Plan Investments	101,840,129	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	150,309	9,400,101
Contributions Subsequent to the Measurement Date	<u>67,210,215</u>	<u>-</u>
Total	<u>\$ 195,014,238</u>	<u>\$ 13,626,433</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

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

<u>Year Ending June 30:</u>	<u>Amount</u>
2024	\$ 29,771,086
2025	26,818,472
2026	8,768,745
2027	<u>48,819,287</u>
Total	<u>\$ 114,177,590</u>

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

Benefits are provided by means of contracts issued and administered by the privately-operated Teachers' Insurance and Annuity Association and Fidelity Investments. Participants' eligibility and contributory requirements are established in General Statute 135-5.1 and may be amended only by the North Carolina General Assembly. Participants are always fully vested in their own contributions to the plan and their investment earnings. Participants are fully vested in the University's contributions and earnings after five years of participating in the ORP.

Participants contribute 6% of compensation and the University contributes 6.84%. For the current fiscal year, the University had a total payroll of \$944,114,722, of which \$369,985,424 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$22,199,125 and \$25,307,003, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions. Forfeitures reduced the University's pension expense during the current fiscal year by \$4,909,897.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2022 *Annual Comprehensive Financial Report*.

B. Plan Descriptions

1. Health Benefits

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

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

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

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

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

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

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North

Carolina General Assembly in the Appropriations Act. The University's contractually-required contribution rate for the year ended June 30, 2023 was 6.89% of covered payroll. The University's contributions to the RHBF were \$52,136,321 for the year ended June 30, 2023.

In fiscal year 2021, the Plan transferred \$187.0 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2023, the University recognized noncapital contributions for RHBF of \$6,723,903.

2. Disability Income

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

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

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the

short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

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

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

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2023 was 0.10% of covered payroll. The University's contributions to DIPNC were \$756,696 for the year ended June 30, 2023.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2023, the University reported a liability of \$884,577,552 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the University's proportion was 3.72503%, which was a decrease of 0.10173 from its proportion measured as of June 30, 2021, which was 3.82676%.

Disability Income Plan of North Carolina: At June 30, 2023, the University reported a liability of \$1,096,116 for its proportionate share of the collective net OPEB liability for DIPNC. The

net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the University's proportion was 3.68467%, which was a decrease of 0.06504 from its proportion measured as of June 30, 2021, which was 3.74971%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2021, 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, 2022 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2021	12/31/2021
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug***	9.5% grading down to 5% by 2031	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

* Salary increases include 3.25% inflation and productivity factor.

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

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

N/A - Not Applicable

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

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

through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2022.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2022 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

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

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

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

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits have been funded solely by employer contributions applied

equally to all retirees. Currently, as described above, benefits are dependent on membership requirements.

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

The actuarial assumptions used in the December 31, 2021 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.54% at June 30, 2022 compared to 2.16% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

The discount rate used to measure the total OPEB liability for DIPNC was 3.08% at June 30, 2022 compared to 3.0% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.08%, 3.0% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.54% was used during the period that the plan was projected to have no fiduciary net position. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the University's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

		Net OPEB Liability		
		1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
RHBF	\$	1,041,930,190	\$ 884,577,552	\$ 756,062,783
		1% Decrease (2.08%)	Current Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC	\$	1,349,731	\$ 1,096,116	\$ 841,873

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

		Net OPEB Liability		
		1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	\$	728,148,675	\$ 884,577,552	\$ 1,086,783,798

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

OPEB Expense: For the fiscal year ended June 30, 2023, the University recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ (116,279,450)
DIPNC	1,556,463
Total OPEB Expense	<u>\$ (114,722,987)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBFB	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 8,588,078	\$ 1,228,653	\$ 9,816,731
Changes of Assumptions	70,821,926	70,451	70,892,377
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	7,660,059	1,159,345	8,819,404
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	31,724,049	159,361	31,883,410
Contributions Subsequent to the Measurement Date	52,136,321	756,696	52,893,017
Total	\$ 170,930,433	\$ 3,374,506	\$ 174,304,939

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

	RHBFB	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 2,447,717	\$ -	\$ 2,447,717
Changes of Assumptions	402,592,073	203,062	402,795,135
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	-	-
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	50,648,404	77,662	50,726,066
Total	\$ 455,688,194	\$ 280,724	\$ 455,968,918

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBFB and DIPNC in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2024	\$ (98,148,519)	\$ 576,930
2025	(81,384,670)	656,743
2026	(95,285,967)	481,826
2027	(62,074,926)	375,745
2028	-	90,326
Thereafter	-	155,516
Total	<u>\$ (336,894,082)</u>	<u>\$ 2,337,086</u>

NOTE 16 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The University is required to maintain all risk (Special Perils) coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State managed by the NC Department of Insurance. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, some agencies have chosen a higher option deductible for a reduction in premium. Flood insurance can also be purchased as separate coverage for high risk flood exposures.

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

2. Public Officers' and Employees' Liability Insurance

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

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, the State's Agent of Record. The types of insurance policies purchased include: medical professional liability, veterinary professional liability, fine arts property, master crime, inland marine property, musical instruments, campers accident and sickness coverage, athletic accident, boiler and machinery, watercraft, oceanographic equipment, cyber and data breach, student health, business travel, unmanned aerial systems liability, equine mortality, event cancellation, liquor liability, internship liability, volunteer liability, and nuclear energy liability.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts and other purchases were \$58,672,853 at June 30, 2023.

B. Pending Litigation and Claims – As previously reported, the NC School Boards Association, et. al. filed a civil action against various state officials in their official capacity seeking a judicial determination as to whether the state constitution requires certain monetary payments collected by state agencies to be paid to the local county school funds. On July 1, 2005, the NC Supreme Court held in favor of the school boards with regard to parking fines. The matter was remanded back to the trial court for disposition in accordance with the Superior Court's decision. On August 8, 2008, the Wake County Superior Court issued judgment that the estimated amounts collected from January 1, 1996, to June 30, 2005, by UNC Campuses belong and should have been paid to the public schools of the State by payment to the State's Civil Penalty and Forfeiture Fund. The manner in which the judgment will be settled is uncertain and is to be determined by the North Carolina General Assembly. At issue for NC State University is approximately \$6,749,207 in transportation fines collected since January 1, 1996, to June 30, 2005. Of this amount, the university has transferred \$2,273,817 to the Office of State Budget and Management leaving approximately \$4,475,390 still outstanding. Since July 2005, the University has been forwarding transportation fine collections, less collection costs, to the Office of State Budget and Management on a monthly basis.

The University is a party to other litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University

management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

NOTE 18 - RELATED PARTIES

Foundations - There are 7 separately incorporated nonprofit foundations associated with the University. These foundations are North Carolina State Alumni Association, Inc., NC State Engineering Foundation, Inc., NC State Natural Resources Foundation, Inc., North Carolina State University College of Sciences Foundation, Inc., North Carolina Veterinary Medical Foundation, Inc., North Carolina Textile Foundation, Inc., and NC State Student Aid Association, Inc.

These organizations serve, in conjunction with the University's component units (See Note 1A), as the primary fundraising arm of the University through which individuals, corporations, and other organizations support University programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific colleges and the University's overall academic environment. The University's financial statements do not include the assets, liabilities, net position, or operational transactions of the foundations, except for amounts reported within the fiduciary statements and support from each organization to the University. This support was \$57,943,382 for the year ended June 30, 2023.

Nonprofit Corporation - The Centennial Authority (Authority) was created by the 1995 General Assembly (Senate Bill 606) for the purpose of studying, designing, planning, constructing, owning, promoting, financing and operating a regional facility on land owned by the State. Prior to this act, the General Assembly authorized the construction by the University of a facility to be known as the "Entertainment and Sports Arena" (ESA). This facility serves as a regional sports entertainment center and is available for cultural performances, sporting events and other activities of the University or of other entities (the Centennial Center project). With the 1995 legislation, the Centennial Center project was transferred to the Authority.

The Authority entered into a Ground Lease with the State of North Carolina to lease land for the ESA for a period of 99 years at an annual rent of \$1. The University entered into a Use Agreement with the Authority. Both parties agreed that the University shall be the primary and preferred user of all areas of the ESA. Per Agreement, the University is required to pay the greater of 10% of gross ticket revenues or \$59,497 for each men's and \$26,030 for each women's basketball game to compensate the Authority for facility rental and operating expenses for games held during fiscal year 2023. Rent and expense payments for miscellaneous events will be negotiated on an event-by-event basis based on the availability of the ESA and the anticipated attendance. In fiscal year 2012, the name of the ESA was changed to "PNC Arena."

In fiscal year 2008, the University entered a Capital Improvement Plan Agreement with the Authority to pay \$6,000,000 in quarterly installments over 15 years. The final payment was made in fiscal year 2023.

NOTE 19 - BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component units for the year ended June 30, 2023, is presented as follows:

Condensed Statement of Net Position

Proprietary Fund

June 30, 2023

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Eliminations	Total
ASSETS					
Current Assets	\$ 556,117,440	\$ 109,220,029	\$ 4,659,946	\$ -	\$ 669,997,415
Capital Assets, Net	2,311,758,553	-	21,972,776	-	2,333,731,329
Other Noncurrent Assets	176,799,760	673,610,590 ¹	10,158,640	-	860,568,990
Primary Government Receivable from Component Unit	2,785,750	-	-	(2,785,750)	-
Total Assets	3,047,461,503	782,830,619	36,791,362	(2,785,750)	3,864,297,734
TOTAL DEFERRED OUTFLOWS OF RESOURCES	383,300,661	-	-	-	383,300,661
LIABILITIES					
Current Liabilities	207,355,216	645,609	1,655,701	-	209,656,526
Long-Term Liabilities, Net	1,898,956,279	-	2,062,309	-	1,901,018,588
Other Noncurrent Liabilities	73,220,950	-	-	-	73,220,950
Component Unit Payable to Primary Government	-	-	2,785,750	(2,785,750)	-
Total Liabilities	2,179,532,445	645,609	6,503,760	(2,785,750)	2,183,896,064
TOTAL DEFERRED INFLOWS OF RESOURCES	492,370,666	-	9,853,594	-	502,224,260
NET POSITION					
Net Investment in Capital Assets	1,688,085,257	-	16,256,320	-	1,704,341,577
Restricted - Nonexpendable	(338,020,672)	782,185,010 ²	-	(255,655,530)	188,508,808
Restricted - Expendable	506,264,060	-	349,488	-	506,613,548
Unrestricted	(1,097,469,592)	-	3,828,200	255,655,530	(837,985,862)
Total Net Position	\$ 758,859,053	\$ 782,185,010	\$ 20,434,008	\$ -	\$ 1,561,478,071

1 Total investments in the NC State Investment Fund, Inc. audit report included \$708,798,627 held in the Investment Fund for the North Carolina State University Foundation, Inc. and The North Carolina Agricultural Foundation, Inc. This amount is excluded from the University prepared financial statements and included in the accompanying component unit financial statements. See Note 2. It is therefore excluded from the Condensed Statement of Net Position and the Condensed Statement of Revenues, Expenses, and Changes in Net Position.

2 Restricted Nonexpendable assets are held in the NC State Investment Fund, Inc. while the associated liabilities are held in North Carolina State University statements resulting in a negative net position before blending.

**Condensed Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2023**

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Eliminations	Total
OPERATING REVENUES					
Operating Revenue	\$ 1,098,353,716	\$ -	\$ 5,597,814	\$ (4,213,944)	\$1,099,737,586
OPERATING EXPENSES					
Operating Expenses	1,568,334,046	-	4,370,171	(4,213,944)	1,568,490,273
Depreciation/Amortization	139,479,715	-	1,312,863	-	140,792,578
Total Operating Expenses	1,707,813,761	-	5,683,034	(4,213,944)	1,709,282,851
Operating Loss	(609,460,045)	-	(85,220)	-	(609,545,265)
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	616,310,706	-	-	-	616,310,706
State Aid Coronavirus	398,410	-	-	-	398,410
Student Financial Aid	56,973,498	-	-	-	56,973,498
Federal Aid - COVID-19	24,088,859	-	-	-	24,088,859
Noncapital Contributions	104,674,751	-	-	-	104,674,751
Investment Income, Net	8,358,896	9,782,255	-	-	18,141,151
Other Nonoperating Expenses	(11,294,751)	-	(257,993)	-	(11,552,744)
Net Nonoperating Revenues (Expenses)	799,510,369	9,782,255	(257,993)	-	809,034,631
Capital Appropriations and Contributions	67,127,187	-	-	-	67,127,187
Additions to Endowments	5,601,709	-	-	-	5,601,709
Total Other Revenues	72,728,896	-	-	-	72,728,896
Transfers	10,646,602	(10,646,602)	-	-	-
Increase (Decrease) in Net Position	273,425,822	(864,347)	(343,213)	-	272,218,262
NET POSITION					
Net Position, July 1, 2022	485,433,231	783,049,357	20,777,221	-	1,289,259,809
Net Position, June 30, 2023	<u>\$ 758,859,053</u>	<u>\$ 782,185,010</u>	<u>\$ 20,434,008</u>	<u>\$ -</u>	<u>\$1,561,478,071</u>

Condensed Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Total
Net Cash Used by Operating Activities	\$ (629,297,142)	\$ -	\$ (17,876)	\$ (629,315,018)
Cash Provided by Noncapital Financing Activities	793,802,329	-	1,032,623	794,834,952
Net Cash Used by Capital Financing and Related Financing Activities	(119,538,463)	-	(1,348,622)	(120,887,085)
Net Cash Provided by Investing Activities	19,308,333	79,401,737	-	98,710,070
Net Increase (Decrease) in Cash and Cash Equivalents	64,275,057	79,401,737	(333,875)	143,342,919
Cash and Cash Equivalents, July 1, 2022	502,154,699	29,818,292	3,923,716	535,896,707
Cash and Cash Equivalents, June 30, 2023	<u>\$ 566,429,756</u>	<u>\$ 109,220,029</u>	<u>\$ 3,589,841</u>	<u>\$ 679,239,626</u>

NOTE 20 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2023, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and providing guidance for accounting and financial reporting for availability payment arrangements (APAs). It improves financial reporting by establishing the definitions of PPPs and APAs (including those that meet the definition of a service concession arrangement) and providing guidance on accounting and financial reporting for transactions that meet those definitions. This guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. It also enhances the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will also allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.

NOTE 21 - NET POSITION RESTATEMENT

As of July 1, 2022, the University implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Net position was not restated due to the implementation; however, assets and liabilities were restated as a result of the implementation. See Note 6 and Note 9 for details on the restated balances related to capital assets and subscription (SBITA) liabilities, respectively.

NOTE 22 - DISCRETELY PRESENTED COMPONENT UNITS

The University's discretely presented component units use the accounting and reporting standards promulgated by FASB. Selected disclosures from the discretely presented component units' audited financial statements follow:

NORTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.

Long-Term Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Long-Term Investments at June 30, 2023 consisted of:

	Cost	Fair Value
STIF	\$ 37,919	\$ 37,919
NC State Investment Fund, Inc.		
Long Term Investment Pool (LTIP)	265,515,567	515,971,303
SRI Fund	52,267,101	64,699,962
Life Income Funds	4,774,171	4,898,725
Total	<u>\$ 322,594,758</u>	<u>\$ 585,607,909</u>

Life Income Funds

The consolidated financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is the trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2023 have fair value asset balances of \$4,898,725.

The liabilities for distributions to grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries, and totaled \$8,374,191 at June 30, 2023. Payments from these funds were \$620,722 during the year ended June 30, 2023. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to

receive 10% from all new CGAs established in order to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2023 the CGA reserve balance was \$42,211.

In addition to the above life income funds, the Foundation was named the recipient of an externally managed trust which represents irrevocable life income funds with a market value totaling \$5,767,555 and life income funds payable of \$4,170,506 as of June 30, 2023. The Foundation is serving as trustee for these funds. These life income funds have been reflected in the accompanying consolidated financial statements at their fair value. Estimated future distributions to the beneficiaries have been reflected in the accompanying consolidated financial statements and were computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries.

Pledges Receivable

Pledges receivable consisted of the following at June 30:

Receivable in Less than One Year	\$ 7,901,175
Receivable in One to Five Years	17,559,999
Receivable in Greater than Five Years	<u>1,607,500</u>
Total Gross Pledges Receivable	27,068,674
Less Allowance for Uncollectible Pledges	(1,354,000)
Less Unamortized Discount (Discount Rate of 2.65% to 5.24%)	<u>(2,864,987)</u>
Net Pledges Receivable	<u><u>\$ 22,849,687</u></u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excluding large pledges for which signed memorandums of understanding exist and therefore the Foundation is reasonably assured of collecting. Two donors represented approximately \$9.1 million of total undiscounted pledges receivable at June 30, 2023. Active past due and long-term pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to allow for or write off such pledges.

THE NORTH CAROLINA AGRICULTURAL FOUNDATION, INC.

Long-Term Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Long-Term Investments at June 30, 2023 consisted of:

	Cost	Fair Value
STIF	\$ 3,816	\$ 3,816
NC State Investment Fund, Inc.		
Long Term Investment Pool (LTIP)	69,874,175	149,403,236
Life Income Funds	<u>7,334,603</u>	<u>7,408,313</u>
Total	<u>\$ 77,212,594</u>	<u>\$ 156,815,365</u>

Life Income Funds

The financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is the trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift and marked to market thereafter. Life income funds at June 30, 2023 have fair value asset balances of \$7,408,313.

The liabilities for distributions to the grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancies of the beneficiaries, and totaled \$4,193,850 at June 30, 2023. Payments from these funds were \$503,952 during the year ended June 30, 2023. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2023, the CGA reserve balance was \$108,295.

Pledges Receivable

Pledges receivable consisted of the following at June 30:

Receivable in Less than One Year	\$ 1,278,258
Receivable in One to Five Years	1,516,031
Receivable in Greater than Five Years	<u>500,000</u>
Total Gross Pledges Receivable	3,294,289
Less Allowance for Uncollectible Pledges	(640,000)
Less Unamortized Discount (Discount Rate of 2.65% to 5.24%)	<u>(241,586)</u>
Net Pledges Receivable	<u>\$ 2,412,703</u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, along with any specific pledges for which collectability is uncertain. Two donors represented approximately \$1.0 million of total undiscounted pledges receivable at June 30, 2023. Active past due and long-term pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to allow for or write off such pledges.



REQUIRED SUPPLEMENTARY INFORMATION

NORTH CAROLINA
STATE UNIVERSITY

2023 ANNUAL
FINANCIAL REPORT

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

Exhibit D-1

Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net Pension Liability	2.08912%	2.20005%	2.26827%	2.26106%	2.22637%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 310,072,163	\$ 103,019,563	\$ 274,052,313	\$ 234,403,118	\$ 221,659,379
Covered Payroll	\$ 353,295,759	\$ 344,917,119	\$ 353,653,996	\$ 346,742,820	\$ 331,594,965
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	87.77%	29.87%	77.49%	67.60%	66.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.14%	94.86%	85.98%	87.56%	87.61%
	2018	2017	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	2.22596%	2.20202%	2.13940%	2.14599%	2.11750%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 176,617,483	\$ 202,388,385	\$ 78,841,126	\$ 25,160,037	\$ 128,553,827
Covered Payroll	\$ 324,634,557	\$ 312,155,082	\$ 308,539,969	\$ 305,353,765	\$ 306,165,883
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	54.41%	64.84%	25.55%	8.24%	41.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.51%	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.

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

Exhibit D-2

Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 67,210,215	\$ 57,869,845	\$ 50,978,750	\$ 45,868,923	\$ 42,614,693
Contributions in Relation to the Contractually Determined Contribution	67,210,215	57,869,845	50,978,750	45,868,923	42,614,693
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 386,710,098	\$ 353,295,759	\$ 344,917,119	\$ 353,653,996	\$ 346,742,820
Contributions as a Percentage of Covered Payroll	17.38%	16.38%	14.78%	12.97%	12.29%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 35,745,937	\$ 32,398,529	\$ 28,562,190	\$ 28,231,407	\$ 26,535,242
Contributions in Relation to the Contractually Determined Contribution	35,745,937	32,398,529	28,562,190	28,231,407	26,535,242
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 331,594,965	\$ 324,634,557	\$ 312,155,082	\$ 308,539,969	\$ 305,353,765
Contributions as a Percentage of Covered Payroll	10.78%	9.98%	9.15%	9.15%	8.69%

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

North Carolina State University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2023

Changes of Benefit Terms:

	Cost of Living Increase									
Teachers' and State Employees' Retirement System	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A

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

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

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

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

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

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

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

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

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

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

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

Exhibit D-3
Page 1 of 2

Retiree Health Benefit Fund	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net OPEB Liability	3.72503%	3.82676%	3.90378%	3.88356%	3.83759%
Proportionate Share of Collective Net OPEB Liability	\$ 884,577,552	\$ 1,183,066,098	\$ 1,082,941,007	\$ 1,228,738,701	\$ 1,093,258,395
Covered Payroll	\$ 699,372,467	\$ 674,891,261	\$ 685,244,979	\$ 668,939,140	\$ 640,552,115
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	126.48%	175.30%	158.04%	183.68%	170.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.58%	7.72%	6.92%	4.40%	4.40%
	2018	2017			
Proportionate Share Percentage of Collective Net OPEB Liability	3.54230%	3.97671%			
Proportionate Share of Collective Net OPEB Liability	\$ 1,161,399,772	\$ 1,730,004,018			
Covered Payroll	\$ 622,217,834	\$ 593,161,610			
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	186.65%	291.66%			
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.52%	2.41%			

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

Exhibit D-3
Page 2 of 2

Disability Income Plan of North Carolina	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	3.68467%	3.74971%	3.95654%	3.92068%	3.89123%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 1,096,116	\$ (612,478)	\$ (1,946,380)	\$ (1,691,773)	\$ (1,182,000)
Covered Payroll	\$ 699,372,467	\$ 674,891,261	\$ 685,244,979	\$ 668,939,140	\$ 640,552,115
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.16%	0.09%	0.28%	0.25%	0.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.34%	105.18%	115.57%	113.00%	108.47%
	2018	2017			
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	3.85175%	3.71882%			
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (2,354,190)	\$ (2,309,387)			
Covered Payroll	\$ 622,217,834	\$ 593,161,610			
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.38%	0.39%			
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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.

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

Exhibit D-4
Page 1 of 2

Retiree Health Benefit Fund	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 52,136,321	\$ 43,990,528	\$ 45,082,736	\$ 44,335,350	\$ 41,942,484
Contributions in Relation to the Contractually Determined Contribution	52,136,321	43,990,528	45,082,736	44,335,350	41,942,484
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 756,695,522	\$ 699,372,467	\$ 674,891,261	\$ 685,244,979	\$ 668,939,140
Contributions as a Percentage of Covered Payroll	6.89%	6.29%	6.68%	6.47%	6.27%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 38,751,588	\$ 36,150,856	\$ 33,217,050	\$ 31,585,734	\$ 29,986,156
Contributions in Relation to the Contractually Determined Contribution	38,751,588	36,150,856	33,217,050	31,585,734	29,986,156
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 640,522,115	\$ 622,217,834	\$ 593,161,610	\$ 575,332,134	\$ 555,299,176
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%

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

Exhibit D-4
Page 2 of 2

Disability Income Plan of North Carolina	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 756,696	\$ 629,435	\$ 607,402	\$ 685,245	\$ 936,515
Contributions in Relation to the Contractually Determined Contribution	756,696	629,435	607,402	685,245	936,515
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 756,695,522	\$ 699,372,467	\$ 674,891,261	\$ 685,244,979	\$ 668,939,140
Contributions as a Percentage of Covered Payroll	0.10%	0.09%	0.09%	0.10%	0.14%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 896,731	\$ 2,364,428	\$ 2,431,963	\$ 2,358,862	\$ 2,443,316
Contributions in Relation to the Contractually Determined Contribution	896,731	2,364,428	2,431,963	2,358,862	2,443,316
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 640,522,115	\$ 622,217,834	\$ 593,161,610	\$ 575,332,134	\$ 555,299,176
Contributions as a Percentage of Covered Payroll	0.14%	0.38%	0.41%	0.41%	0.44%

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

North Carolina State University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2023

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

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

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

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

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

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

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

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

Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2022 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.54%, from 2.16% as of June 30, 2021. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2022 for DIPNC, the discount rate was updated to 3.08%, from 3.00% as of June 30, 2021. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with the determination that the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members.

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

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

The Notes to Required Supplementary Information reflect the information included in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*.



SUPPLEMENTARY INFORMATION SECTION

NORTH CAROLINA
STATE UNIVERSITY

2023 ANNUAL
FINANCIAL REPORT

Ratio of Net Gain in Endowment Investments

Ten Year History

For the Year Ended June 30,
(in thousands)

University Endowment Investments - Market Value				
Fiscal Year	End of Year	Beginning of Year	Yearly Change	Ratio
2013-2014	205,010	177,402	27,608	15.56
2014-2015	230,099	205,010	25,089	12.24
2015-2016	209,047	230,099	(21,052)	(9.15)
2016-2017	311,538	209,047	102,491	49.03
2017-2018	349,411	311,538	37,873	12.16
2018-2019	372,836	349,411	23,425	6.70
2019-2020	379,562	372,836	6,726	1.80
2020-2021	522,702	379,562	143,140	37.71
2021-2022	531,981	522,702	9,279	1.78
2022-2023	526,942	531,981	(5,039)	(0.95)

Available Funds**For the Year Ended June 30,
(in thousands)**

	2019	2020	2021	2022	2023
Total Unrestricted Revenue	\$1,330,922	\$1,320,025	\$1,189,261	\$1,395,981	\$1,506,642
Less:					
State Appropriations	(522,482)	(522,902)	(520,557)	(578,016)	(616,311)
Tuition and Fees	(289,713)	(305,411)	(284,936)	(295,763)	(307,281)
Plus:					
Beginning Unrestricted Net Position	(1,465,834)	(1,379,966)	(1,352,030)	(1,252,576)	(1,067,517)
Total	(947,107)	(888,254)	(968,262)	(730,374)	(484,467)
Adjustments for Pension and OPEB					
GASB 68 Pension	96,731	136,018	166,579	135,072	128,684
GASB 75 OPEB	1,614,132	1,542,143	1,443,634	1,341,809	1,167,338
Total Adjusted Available Funds	763,756	789,907	641,951	746,507	811,555

More information on the effect of both Pension and OPEB on unrestricted net position is available in Note 11 - Net Position.

Admissions, Enrollment and Degree Statistics

Ten Year History of Fall Enrollment

(Headcount)

Freshman Admissions	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Applied	21,618	20,208	21,102	26,224	26,835	30,177	30,970	31,352	32,885	35,401
Accepted	10,136	10,390	10,582	12,353	13,690	14,059	13,902	14,419	15,535	16,650
Enrolled	4,165	4,374	4,212	4,229	4,656	4,844	4,771	4,665	4,979	5,540
SAT Total	1,243	1,248	1,250	1,263	1,309	1,319	1,337	1,320	1,352	1,329
SAT Verbal	604	607	610	617	647	649	658	651	665	654
SAT Math	639	641	640	646	662	670	679	669	687	674
Transfer Admissions										
Applied	3,928	3,635	4,166	4,184	4,381	4,671	4,249	4,044	4,139	4,461
Accepted	1,524	1,647	1,472	1,712	1,831	1,938	1,820	2,037	1,913	1,831
Enrolled	1,215	1,253	1,107	1,223	1,275	1,343	1,307	1,445	1,386	1,270
Graduate Admissions										
Applied	14,451	15,419	15,394	16,650	15,746	15,075	15,382	14,952	15,244	15,996
Accepted	3,519	3,612	3,583	3,429	3,791	3,653	4,286	3,917	4,190	3,967
Enrolled	2,609	2,839	2,890	2,802	3,147	3,029	3,133	2,517	3,293	2,838

(Percentage of Total Applications)

Freshman Admissions	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Accepted	46.9%	51.4%	50.1%	47.1%	51.0%	46.6%	44.9%	46.0%	47.2%	47.0%
Enrolled	19.3%	21.6%	20.0%	16.1%	17.4%	16.1%	15.4%	14.9%	15.1%	15.6%
Transfer Admissions										
Accepted	38.8%	45.3%	35.3%	40.9%	41.8%	41.5%	42.8%	50.4%	46.2%	41.0%
Enrolled	30.9%	34.5%	26.6%	29.2%	29.1%	28.8%	30.8%	35.7%	33.5%	28.5%
Graduate Admissions										
Accepted	24.4%	23.4%	23.3%	20.6%	24.1%	24.2%	27.9%	26.2%	27.5%	24.8%
Enrolled	18.1%	18.4%	18.8%	16.8%	20.0%	20.1%	20.4%	16.8%	21.6%	17.7%

(Degrees Conferred)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Undergraduate Certificate	93	77	67	91	73	101	95	106	160	94
Bachelors	5,518	5,549	5,586	5,652	5,671	5,796	5,932	5,991	6,388	6,539
Graduate Certificate	156	201	194	202	285	311	355	452	444	518
Masters	2,329	2,449	2,377	2,538	2,638	2,711	2,785	2,781	2,862	2,346
Doctoral	500	506	497	558	510	580	575	557	531	569
Total	8,596	8,782	8,721	9,041	9,177	9,499	9,742	9,887	10,385	10,066

Admissions, Enrollment and Degree Statistics

Ten Year History of Fall Enrollment

(Headcount)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Undergraduate	22,977	22,925	22,462	22,346	22,755	23,658	24,238	24,671	24,999	25,108
Graduate	8,722	8,860	9,265	9,342	9,744	9,811	9,907	9,473	10,034	10,104
Non-Degree Studies	2,310	2,204	2,288	2,055	1,916	1,994	2,159	1,898	1,798	1,488
Full-time	26,770	26,965	26,767	26,776	27,415	28,368	28,791	28,314	29,099	29,837
Part-time	7,239	7,024	7,248	6,979	7,017	7,111	7,513	7,728	7,732	6,863
Male	18,913	18,945	18,769	18,561	18,691	18,917	19,014	18,481	18,623	18,643
Female	15,096	15,044	15,246	15,194	15,741	16,562	17,290	17,561	18,208	18,057
American Indian or Alaska Native	135	128	106	117	124	128	138	135	140	123
Asian	1,644	1,679	1,628	1,762	1,924	2,282	2,432	2,596	2,763	2,983
Black or African American	2,314	2,212	2,164	2,075	2,038	2,055	2,258	2,354	2,399	2,303
Hispanic or Latino	1,309	1,392	1,488	1,469	1,597	1,761	2,011	2,121	2,398	2,570
Native Hawaiian or Pacific Islander	19	27	27	23	19	19	19	28	24	24
Two or More Races	839	961	1,035	1,043	1,078	1,145	1,188	1,349	1,381	1,465
U.S. Nonresident	3,349	3,709	4,162	4,154	4,328	4,068	4,163	3,271	3,487	3,969
Unknown	814	957	812	944	1,637	2,112	1,689	1,222	957	776
White	23,586	22,924	22,593	22,168	21,687	21,909	22,406	22,966	23,282	22,487
In-state	27,185	26,699	26,440	26,277	26,931	28,153	28,947	29,446	29,904	29,118
Out-of-state	3,688	3,823	3,733	3,605	3,472	3,277	3,260	3,456	3,417	3,522
International	3,136	3,467	3,842	3,873	4,029	4,049	4,097	3,140	3,510	4,060
Total Enrollment	34,009	33,989	34,015	33,755	34,432	35,479	36,304	36,042	36,831	36,700

(Percentage of Total)

Undergraduate	67.6%	67.4%	66.0%	66.2%	66.1%	66.7%	66.8%	68.5%	67.9%	68.4%
Graduate	25.6%	26.1%	27.2%	27.7%	28.3%	27.7%	27.3%	26.3%	27.2%	27.5%
Lifelong Education	6.8%	6.5%	6.7%	6.1%	5.6%	5.6%	5.9%	5.3%	4.9%	4.1%
Full-time	78.7%	79.3%	78.7%	79.3%	79.6%	80.0%	79.3%	78.6%	79.0%	81.3%
Part-time	21.3%	20.7%	21.3%	20.7%	20.4%	20.0%	20.7%	21.4%	21.0%	18.7%
Male	55.6%	55.7%	55.2%	55.0%	54.3%	53.3%	52.4%	51.3%	50.6%	50.8%
Female	44.4%	44.3%	44.8%	45.0%	45.7%	46.7%	47.6%	48.7%	49.4%	49.2%
American Indian or Alaska Native	0.4%	0.4%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%
Asian	4.8%	4.9%	4.8%	5.2%	5.6%	6.4%	6.7%	7.2%	7.5%	8.1%
Black or African American	6.8%	6.5%	6.4%	6.1%	5.9%	5.8%	6.2%	6.5%	6.5%	6.3%
Hispanic or Latino	3.8%	4.1%	4.4%	4.4%	4.6%	5.0%	5.5%	5.9%	6.5%	7.0%
Native Hawaiian or Pacific Islander	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Two or More Races	2.5%	2.8%	3.0%	3.1%	3.1%	3.2%	3.3%	3.7%	3.7%	4.0%
U.S. Nonresident	9.8%	10.9%	12.2%	12.3%	12.6%	11.5%	11.5%	9.1%	9.5%	10.8%
Unknown	2.4%	2.8%	2.4%	2.8%	4.8%	6.0%	4.7%	3.4%	2.6%	2.1%
White	69.4%	67.4%	66.4%	65.7%	63.0%	61.8%	61.7%	63.7%	63.2%	61.3%
In-state	79.9%	78.6%	77.7%	77.8%	78.2%	79.4%	79.7%	81.7%	81.2%	79.3%
Out-of-state	10.8%	11.2%	11.0%	10.7%	10.1%	9.2%	9.0%	9.6%	9.3%	9.6%
International	9.2%	10.2%	11.3%	11.5%	11.7%	11.4%	11.3%	8.7%	9.5%	11.1%

Admissions, Enrollment and Degree Statistics

Enrollment by County

Student Enrollment, Fall Semester 2022

Residence	Total	Residence	Total	Residence	Total	Residence	Total
Alamance	408	Cumberland	531	Johnston	797	Randolph	245
Alexander	37	Currituck	41	Jones	10	Richmond	50
Alleghany	10	Dare	117	Lee	141	Robeson	108
Anson	15	Davidson	329	Lenoir	87	Rockingham	92
Ashe	34	Davie	103	Lincoln	174	Rowan	148
Avery	26	Duplin	71	McDowell	60	Rutherford	59
Beaufort	82	Durham	1,031	Macon	29	Sampson	120
Bertie	29	Edgecombe	64	Madison	12	Scotland	27
Bladen	44	Forsyth	795	Martin	26	Stanly	70
Brunswick	173	Franklin	189	Mecklenburg	2,339	Stokes	57
Buncombe	506	Gaston	312	Mitchell	13	Surry	106
Burke	118	Gates	15	Montgomery	30	Swain	10
Cabarrus	551	Graham	10	Moore	272	Transylvania	38
Caldwell	90	Granville	136	Nash	224	Tyrrell	3
Camden	22	Greene	25	New Hanover	668	Union	908
Carteret	172	Guilford	1,389	Northhampton	14	Vance	61
Caswell	34	Halifax	74	Onslow	243	Wake	9,883
Catawba	276	Harnett	227	Orange	677	Warren	18
Chatham	357	Haywood	69	Pamlico	22	Washington	17
Cherokee	17	Henderson	145	Pasquotank	45	Watauga	93
Chowan	34	Hertford	24	Pender	172	Wayne	188
Clay	3	Hoke	47	Perquimans	13	Wilkes	57
Cleveland	112	Hyde	8	Person	63	Wilson	152
Columbus	93	Iredell	475	Pitt	334	Yadkin	40
Craven	223	Jackson	31	Polk	32	Yancey	16
						Total	28,787

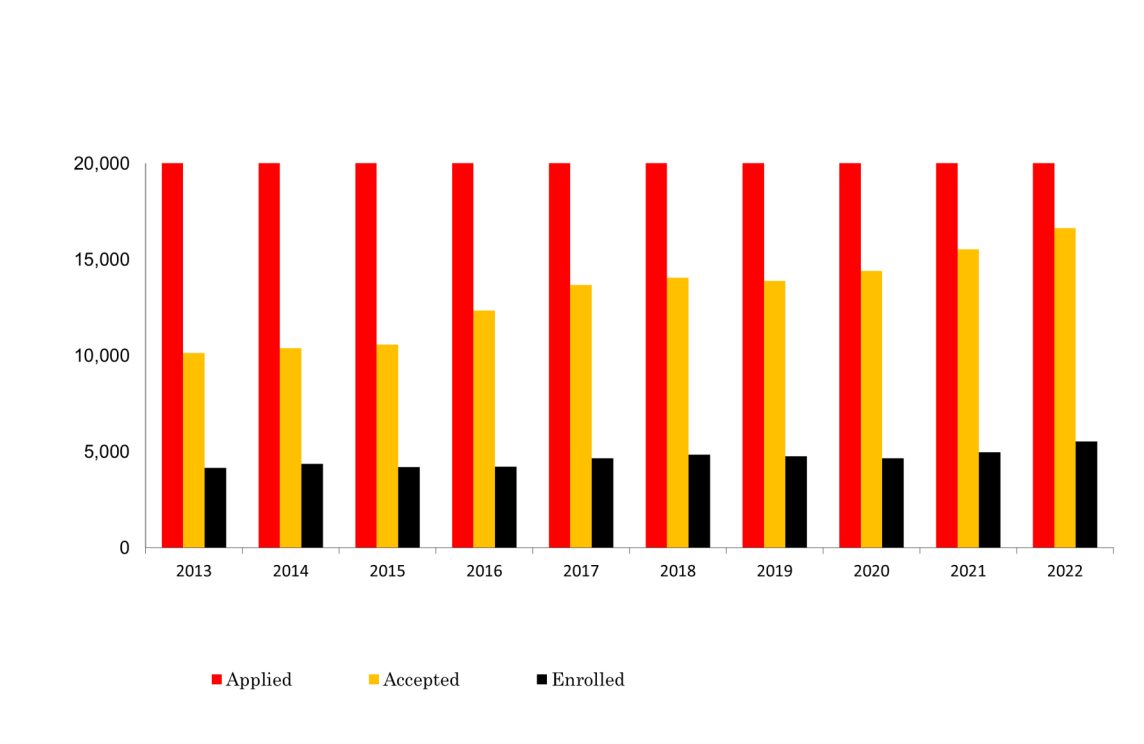
Admissions, Enrollment and Degree Statistics

Five Year Comparison of Enrollment by Level and College
Student Enrollment, Fall Semester

	2018	2019	2020	2021	2022
Undergraduate					
Agriculture and Life Sciences	2,538	2,660	2,689	2,637	2,577
Agriculture Institute	332	319	268	229	211
Design	567	596	580	614	626
Education	510	560	584	618	614
Engineering	6,390	6,479	6,691	6,925	7,154
Humanities and Social Sciences	3,575	3,701	3,776	3,773	3,626
Management	3,034	3,270	3,435	3,557	3,509
Natural Resources	1,488	1,503	1,587	1,565	1,536
Sciences	3,012	3,026	3,080	3,100	3,127
Textiles	867	797	790	763	759
Non Degree Studies	1,541	1,735	1,479	1,506	1,146
Units Outside Organized College	1,345	1,327	1,191	1,218	1,369
Total Undergraduate	25,199	25,973	26,150	26,505	26,254
Total FTE Undergraduate	23,531	24,123	24,359	24,786	24,971
Graduate					
Agriculture and Life Sciences	1,020	1,003	995	1,047	987
Design	269	270	281	310	302
Education	1,206	1,254	1,299	1,339	1,193
Engineering	3,209	3,254	2,751	3,093	3,583
Humanities and Social Sciences	883	847	898	908	865
Management	872	891	916	946	900
Natural Resources	487	502	497	537	494
Sciences	1,044	1,065	1,010	1,013	997
Textiles	243	227	220	237	214
Veterinary Medicine	483	475	486	487	477
Non Degree Studies	453	424	419	292	342
Units Outside Organized College	111	119	120	117	92
Total Graduate	10,280	10,331	9,892	10,326	10,446
Total FTE Graduate	8,391	8,402	7,918	8,258	8,476
Total Headcount	35,479	36,304	36,042	36,831	36,700
Total FTE Enrollment	31,922	32,525	32,277	33,043	33,447
Percentage of Students (FTE) from Outside State	20.6%	20.0%	17.9%	18.3%	20.1%

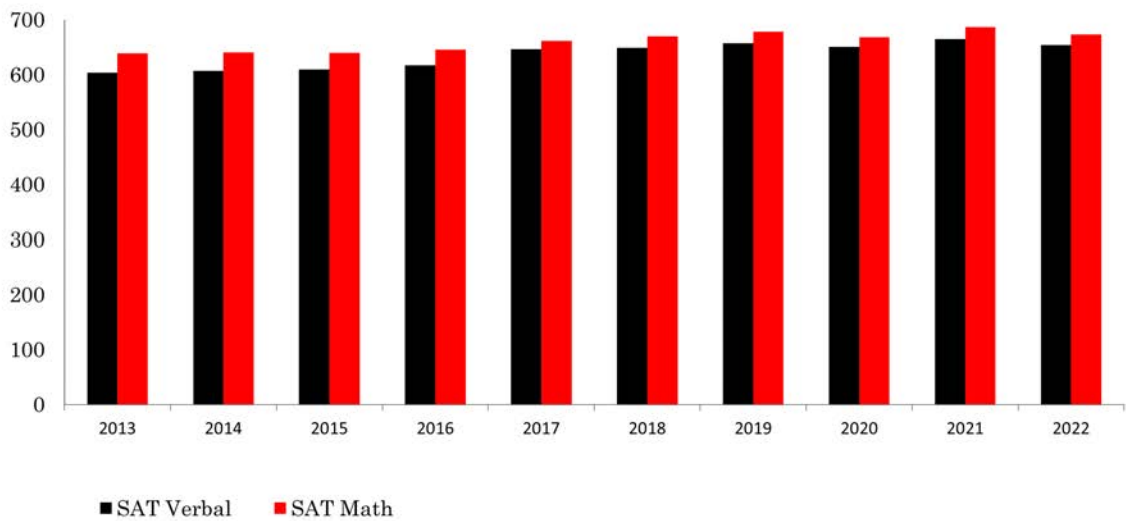
Fall Enrollment

Freshman Admissions by Year

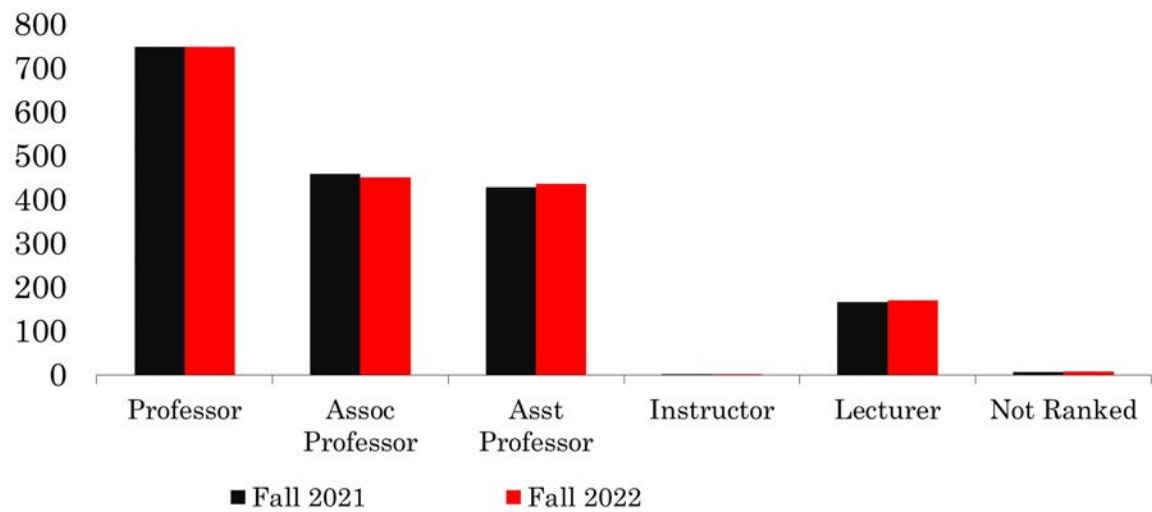


SAT Scores

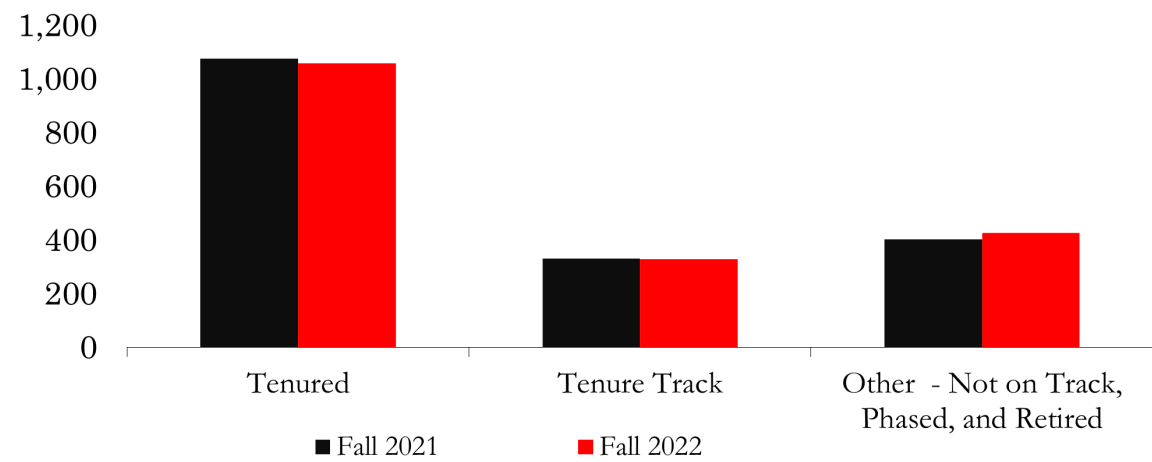
Freshman Admissions by Year



Faculty by Rank



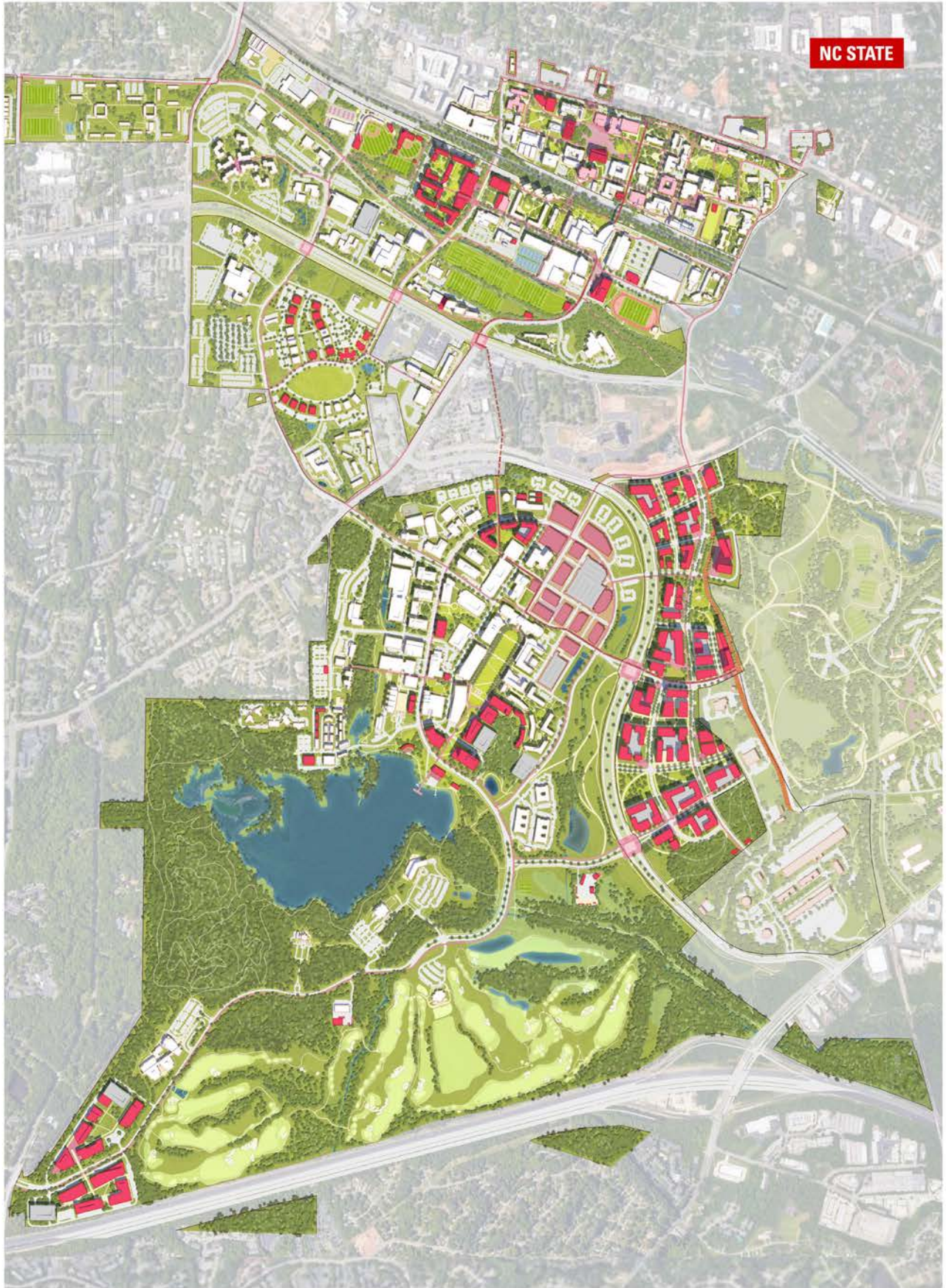
Full Time Faculty by Tenure





Physical Master Plan

NC STATE UNIVERSITY



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