State of North Carolina

Office of The State Auditor

Beth A. Wood, CPA

East Carolina University

Greenville, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2022

A Constituent Institution of the University of North Carolina System and a Component Unit of the State of North Carolina

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of East Carolina University for the year ended June 30, 2022, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

Beth A. Wood, CPA
State Auditor

Beth A. Wood, CPA
State Auditor

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

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
East Carolina University
Greenville, 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 East Carolina 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 unit, as of and for the year ended June 30, 2022, 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 report 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 East Carolina University, and its discretely presented component unit, as of June 30, 2022, 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 East Carolina University Foundation, Inc. and Consolidated Affiliates, the University's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for East Carolina University Foundation, Inc. and Consolidated Affiliates, are based solely on the report 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 East Carolina 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 14, 2022

Management's Discussion and Analysis

Introduction

East Carolina University (ECU or University) provides this Management's Discussion and Analysis to assist in understanding the financial statements and related notes for the fiscal year ended June 30, 2022. The University is one of the 16 universities in the University of North Carolina System (UNC System), a component unit of the State of North Carolina, and an integral part of the State's *Annual Comprehensive Financial Report*.

The University's financial report includes five financial statements:

- ECU Statement of Net Position, Proprietary Fund;
- ECU Statement of Revenues, Expenses, and Changes in Net Position, Proprietary Fund;
- ECU Statement of Cash Flows, Proprietary Fund;
- ECU Statement of Fiduciary Net Position; and
- ECU Statement of Changes in Fiduciary Net Position.

The financial report also includes two financial statements from the discretely presented component unit:

- ECU Foundation, Inc. and Consolidated Affiliates Consolidated Statements of Financial Position; and
- ECU Foundation, Inc. and Consolidated Affiliates Consolidated Statements of Activities.

Four Required Supplementary Information (RSI) schedules are provided as follows:

- Schedule of the Proportionate Share of the Net Pension Liability Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan;
- Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan;
- Schedule of the Proportionate Share of the Net OPEB Liability or Asset Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans; and
- Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans.

The University's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. In the fiscal year ended June 30, 2022, ECU implemented GASB Statement No. 87, *Leases*. "The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities."

Per GASB standards, the University's Foundation is reported as a component unit in the financial statements and is excluded from this Management's Discussion and Analysis unless specifically noted. For more details on the University's component unit, see Note 1 to the Financial Statements.

This discussion and analysis provides an overview of the University's financial position and activities for the year ended June 30, 2022, emphasizing current year data and significant changes between the prior and current fiscal years. Comparative restated information for the year ended June 30, 2021 is provided where applicable. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements that are included in this annual report. The Statement of Net Position Proprietary Fund reports the University's overall financial position. The Statement of Revenues, Expenses, and Changes in Net Position Proprietary Fund provides a summation of the results of operations, and the Statement of Cash Flows Proprietary Fund identifies the sources of cash and how cash was used during the year. Management's Discussion and Analysis concentrates on the University's Proprietary Fund 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.

For the fiscal year ended June 30, 2022, the University's financial position remains stable and continues to strengthen. Total net position increased $169.2 million, reflecting general financial strength. The change in net position is a key measure of the sum effect of the University's fiscal year activities on its financial health. The University recognized over $1.1 billion in revenues and incurred $910.9 million in expenses.

COVID-19

Fiscal year ended June 30, 2022 included the first full "normal" academic year since the pandemic. ECU was reimbursed by the Federal Government $45.3 million to prevent COVID-19 infections, improve the student academic experience, recover loss revenues, and award grants to students.

Statement of Net Position Proprietary Fund

The Statement of Net Position Proprietary Fund presents a fiscal snapshot of the University's financial position at a point-in-time, specifically, as of June 30, 2022 and includes all assets, deferred outflows and inflows of resources, liabilities, and net position of the University. Asset and liability balances are classified as either current or noncurrent. Assets classified as current are those that are available to pay for 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. Net position represents the residual interest in the University's assets and deferred outflows of resources net of its liabilities and deferred inflows of resources. The change in net position is an indicator of whether the overall financial condition of the University has improved or worsened during the year. The following table presents a summarized comparison of these accounts at a specific point in time, June 30, 2022 and 2021.

Condensed Statement of Net Position
Proprietary Fund
(Dollars in Thousands)

	2022	2021 Restated	Change
Assets			
Current Assets	$ 437,310	$ 380,745	$ 56,565
Noncurrent Assets:			
Capital Assets, Net	1,261,606	1,275,288	(13,682)
Other Noncurrent Assets	142,218	139,737	2,481
Total Assets	1,841,134	1,795,770	45,364
Deferred Outflows of Resources	182,081	166,406	15,675
Liabilities			
Current Liabilities:			
Long-Term Liabilities - Current Portion	25,546	26,436	(890)
Other Current Liabilities	66,143	72,971	(6,828)
Total Current Liabilities	91,689	99,407	(7,718)
Noncurrent Liabilities:			
Long-Term Liabilities, Net	1,190,598	1,262,877	(72,279)
Other Noncurrent Liabilities	17,494	19,664	(2,170)
Total Noncurrent Liabilities	1,208,092	1,282,541	(74,449)
Total Liabilities	1,299,781	1,381,948	(82,167)
Deferred Inflows of Resources	328,194	354,209	(26,015)
Net Position			
Net Investment in Capital Assets	871,449	859,404	12,045
Restricted	140,926	144,558	(3,632)
Unrestricted	(617,135)	(777,943)	160,808
Total Net Position	$ 395,240	$ 226,019	$ 169,221

Total assets and deferred outflows of resources increased by $61.0 million. Total liabilities and deferred inflows of resources decreased by $108.2 million, for a net growth of $169.2 million in the University's total net position.

Current assets increased $56.6 million, primarily from a $47.4 million increase in cash, and is attributable to:

- Continued reimbursements to housing, dining, and other auxiliary lost revenues from the US Department of Education, Higher Education Emergency Relief Funds (HEERF) program;
- Increases in administrative overhead receipts due to higher grant activity, and a decrease in overhead expenditures; and
- A change in the Management Flexibility Legislation for unspent funds.

Additionally, there was an increase in current receivables of $12.1 million attributed to higher patient volumes and delays associated with Medicaid settlements.

Capital assets, net, decreased $13.7 million, which represents a decrease in land and construction in progress of $82.1 million and an increase in depreciable assets of $68.4 million. These changes are primarily related to the completion and capitalization of the Life Sciences & Biotechnology building and is discussed in detail in the capital assets section of this discussion and analysis.

Changes in the deferred outflows of resources, deferred inflows of resources, net pension liability, and net other postemployment benefits (OPEB) liability are due to valuation changes as determined by the plans' actuaries. Refer to Notes 13 and 14 for additional information regarding the University's participation in the Teachers' and State Employees' Retirement System (TSERS) and OPEB plans.

Current liabilities decreased $7.7 million due to payment of capital improvement contracts and the reduction of retainage payables due to the completion and capitalization of the Life Sciences & Biotechnology building.

Noncurrent long-term liabilities, net, decreased $72.3 million largely due to the net effect of the net (OPEB) liability increase of $51.5 million and the net pension liability decrease of $103.2 million previously discussed. The decrease also includes reductions of $17.3 million in revenue bonds payable, bonds from direct placements, and notes from direct borrowings due to continued payments on debt.

The University's liquidity continues to strengthen. The current ratio increased from 3.8 at June 30, 2021 to 4.8 at June 30, 2022. This liquidity ratio, defined as current assets divided by current liabilities, indicates the University could pay its current obligations almost five times before current assets are exhausted. Working capital, defined as current assets minus current liabilities, is $345.6 million on June 30, 2022, a $64.3 million increase from the prior year's working capital. The amount of available working capital remains strong and is a measure of the University's ability to meet its short-term obligations.

The University's net position consists of three primary classifications: net investment in capital assets increased $12.0 million, restricted decreased $3.6 million, and unrestricted substantially increased by $160.8 million. The total net position increased by $169.2 million.

The increase in net investment in capital assets is primarily due to the increase in the University's capital assets, net of accumulated depreciation, and a decrease in debt liabilities. Reference the Capital Assets and Capital Debt sections for further details.

Restricted net position includes the University's permanent endowment fund and expendable funds subject to externally imposed restrictions governing their use. The main change is due to the endowment investment declining due to unfavorable market conditions.

The unrestricted portion of the University's net position is net equity available for any lawful purpose of the University. The deficit in unrestricted net position has been significantly affected by the reporting of net pension liability and net OPEB liability, and the related deferred outflows of resources and deferred inflows of resources. Excluding the effect of these items, the positive unrestricted net position grew from $253.4 to $320.5, or $67.1 million primarily due to the changes in cash and receivables discussed above.

Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund

The Statement of Revenues, Expenses, and Changes in Net Position Proprietary Fund presents revenues earned and expenses incurred during the fiscal year, providing information to evaluate the University's management of operations and maintenance of financial strength. Activities are classified and reported as operating, nonoperating, or other revenues. In general, operating revenues are generated by providing goods and services and operating expenses are incurred to acquire or produce the goods and services needed to fulfill the mission of the

University. The University consistently shows an operational loss (operating revenues minus operating expenses) because public universities are dependent on state appropriations, which are not included in operating revenues. State appropriations, federal aid for COVID-19, noncapital contributions (grants and gifts), and investment income (net of investment expense) are classified as nonoperating because they are revenues received for which goods and services are not provided. When the nonoperating revenues, net of nonoperating expenses (chiefly interest and fee payments on capital assets), are added to the operational loss, the University shows an increase in income before other revenues of $129.8 million. Other revenues include capital contributions (grants and gifts), and additions to endowments. When these other revenues are added, the University shows a $169.2 million increase in net position as of June 30, 2022. The following table presents a summarized comparison of the statements as of June 30, 2022 and June 30, 2021.

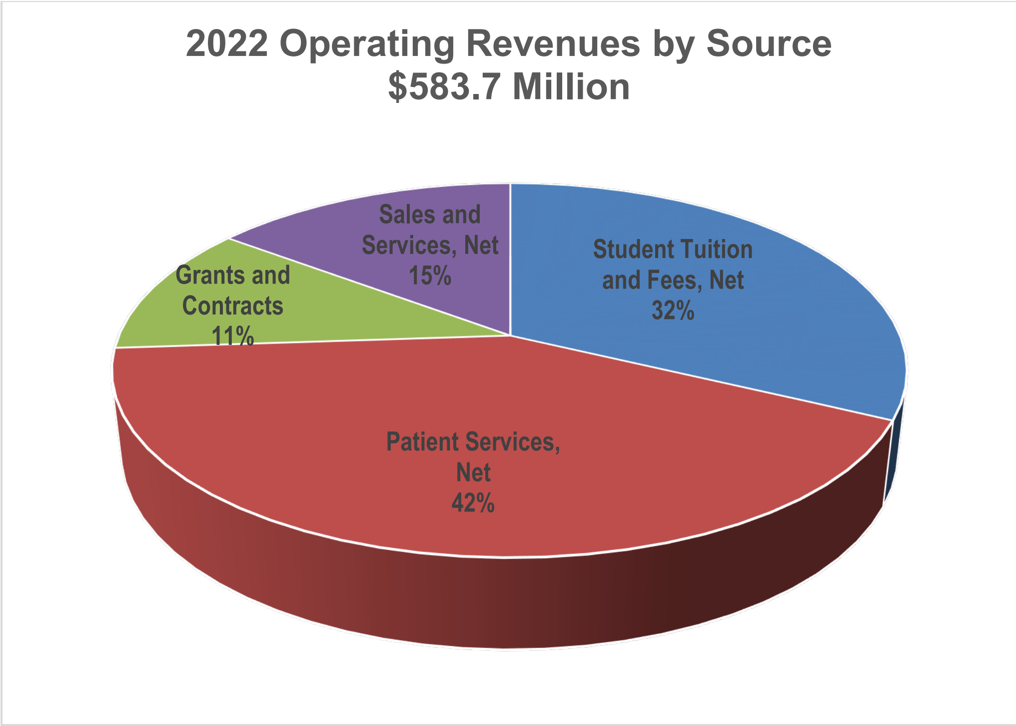
Condensed Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
(Dollars in Thousands)

	2022	2021	Change
Operating Revenues			
Student Tuition and Fees, Net	$ 186,785	$ 180,794	$ 5,991
Patient Services, Net	243,122	233,128	9,994
Grants and Contracts	65,676	58,858	6,818
Sales and Services, Net	85,935	46,984	38,951
Other	2,228	1,466	762
Total Operating Revenues	583,746	521,230	62,516
Operating Expenses			
Salaries and Benefits	542,787	571,439	(28,652)
Supplies and Services	219,357	186,215	33,142
Scholarships and Fellowships	69,777	54,832	14,945
Utilities	18,029	15,398	2,631
Depreciation/Amortization	41,822	36,739	5,083
Total Operating Expenses	891,772	864,623	27,149
Operating Loss	(308,026)	(343,393)	(35,367)
Nonoperating Revenues (Expenses)			
State Appropriations and Aid	337,612	320,201	17,411
Federal Aid - COVID-19	45,347	31,072	14,275
Noncapital Contributions and Grants	73,073	82,547	(9,474)
Investment Income (Loss), Net	(7,005)	20,065	(27,070)
Other Nonoperating Expenses	(11,195)	(14,291)	3,096
Net Nonoperating Revenues	437,832	439,594	(1,762)
Income Before Other Revenues	129,806	96,201	33,605
Capital Appropriations	-	15,605	(15,605)
Capital Contributions	36,256	45,602	(9,346)
Additions to Endowments	3,159	1,709	1,450
Increase in Net Position	169,221	159,117	10,104
Net Position-July 1	226,019	66,902	159,117
Net Position-June 30	$ 395,240	$ 226,019	$ 169,221

Fiscal year 2021-2022 total revenues are $1,080,157 and total expenses are $910,936.
Fiscal year 2020-2021 total revenues are $1,038,134 and total expenses are $879,017.

The University generates operating revenues by providing goods and services related to its instruction, research, and public service missions. Total operating revenues increased $62.5 million. The largest change was a $39.0 million increase in net sales and services, due to the campus returning to normal operations after COVID-19. Additionally, student tuition and fees increased by $6.0 million as more traditional instruction resumed. Patient services increased by $10.0 million due to higher patient volumes and a reduction in the indigent care and allowance agreements.

The following chart shows each operating revenue component as it relates to total operating revenues:



Operating expenses are the day-to-day expenses incurred to carry out the mission of the University and are reported by natural classification. Classification amounts changed at varying rates with an overall net increase of $27.1 million. Salaries and benefits decreased $28.7 million. Direct salary and benefit expenses actually increased by $15.7 million as campus operations returned to normal but was decreased by adjustments for pension and other postemployment benefits of $44.4 million discussed above. Supplies and services increased $33.1 million. With students, faculty and staff returning to campus, and the campus returning to pre-pandemic conditions, the University expended significantly more than the prior year. Scholarships and fellowships expense increased $14.9 million due to increased student payments related to HEERF.

The following chart shows each operating expense component as it relates to total operating expenses and illustrates the consistency between the two years:

2022 OPERATING EXPENSES: $891.8 Million

	% to Total 2022	% to Total 2021
Salaries and Benefits	61%	66%
Supplies and Services	24%	22%
Scholarships and Fellowships	8%	6%
Utilities	2%	2%
Depreciation / Amortization	5%	4%
Total	100%	100%

The University generates revenues and expenses in addition to its principal operations. These items are classified as nonoperating and other. Total nonoperating revenues, net, decreased $1.8 million from the prior year. The largest changes include:

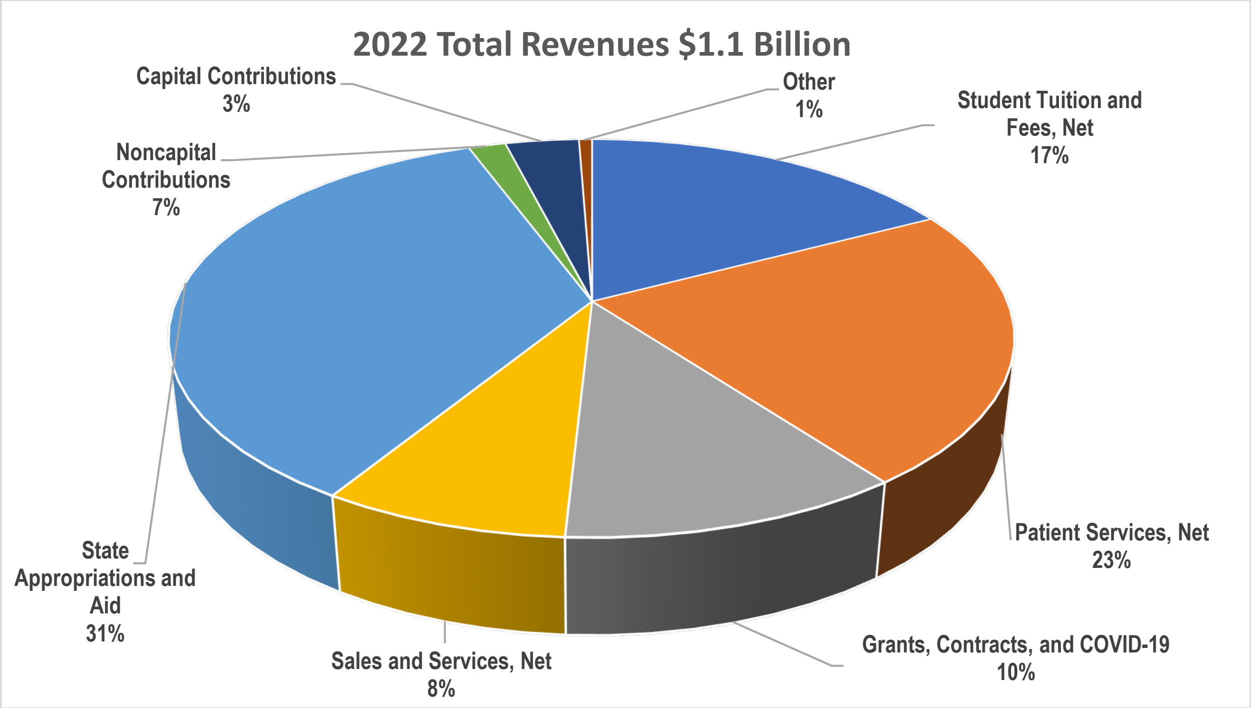
- An increase of $32.8 million in state appropriations, partially offset by a $15.4 million reduction in state-based COVID-19 aid. Additionally, Management Flexibility Legislation in place for the fiscal year ended June 30, 2021 required that funding be earmarked for capital projects. That resulted in $15.6 million of capital appropriations being reported as other revenues in the prior year. Current legislation no longer requires this restriction.

- Noncapital contributions and grants decreased primarily due to a smaller allocation to the University from the State Health Plan to the State Retirement Health Benefit Fund for cost savings as discussed in Note 14.

- A decrease of $27.1 million in investment income resulting in an investment loss of $7.0 million for the year caused by large swings in investment market conditions.

Capital appropriations decreased $15.6 million due to change in the Management Flexibility Legislation. The $9.3 million decrease in capital contributions was due to the completion of the Life Sciences & Biotechnology building.

The following chart illustrates the University's total revenues by source (operating, nonoperating, and other revenues) which totals $1.1 billion for fiscal year end 2022. For illustration purposes the investment loss is not included the chart:



Capital Assets

Capital assets for the University are comprised of nondepreciable and depreciable assets. Nondepreciable assets include land and construction in progress. Depreciable assets include buildings, machinery and equipment, general infrastructure, computer software, and (with the implementation of GASB 87), now includes right-to-use leased assets categories. Completed buildings comprise 74.1% of the University's capital assets, net of accumulated depreciation.

The acquisition, construction and improvement of its capital assets are vital to the University's mission. The University continues to implement its long-range plan to modernize older teaching, research, and residential facilities with renovations and new construction.

Capital assets on June 30, 2022, and June 30, 2021, are as follows:

Capital Assets
(Dollars in Thousands)

	2022	2021 Restated	Change
Land	$ 52,544	$ 52,713	$ (169)
Construction in Progress	3,034	84,980	(81,946)
Buildings	1,277,194	1,191,900	85,294
Machinery and Equipment	181,087	176,520	4,567
General Infrastructure	216,322	203,362	12,960
Computer Software	13,336	13,336	-
Right-to-Use Leased Buildings	34,091	31,257	2,834
Right-to-Use Leased Machinery and Equipment	2,172	1,397	775
Total Capital Assets	1,779,780	1,755,465	24,315
Accumulated Depreciation	518,174	480,177	37,997
Capital Assets, Net	$ 1,261,606	$ 1,275,288	$ (13,682)

Capital additions consist primarily of replacement, improvement, and new capital assets construction, as well as significant investments in equipment, including information technology. The University's capital assets, as of fiscal year end 2022, are $1.3 billion, representing a net decrease of $13.7 million from the prior year.

The University uses debt financing, student fees, state capital contributions, and University sources to provide funding for capital projects. The amount of construction in progress (CIP) changes as construction costs on existing projects are incurred, completed projects are removed, and new projects are added. As construction projects are completed, depreciable assets increase with an appropriate increase in accumulated depreciation. During fiscal year 2022, a significant portion of the reduction in CIP and the increase in buildings is from the completion of the Life Sciences & Biotechnology building and being put in service.

Capital Debt

The University uses revenue bonds, bonds from direct placements, notes from direct borrowings, and leases to finance construction projects and purchase equipment. There have been no rating agency evaluations this fiscal year. The latest evaluations were:

- On May 12, 2021, Standard & Poor's Global Ratings assigned its AA- rating, with a stable outlook, to University of North Carolina Board of Governors' Series 2021 taxable revenue bonds, issued for ECU, and affirmed its AA- rating on ECU's existing debt with a revised outlook from negative to stable. The outlook remains stable.
- Moody's Investors Service assigned a rating of Aa3 with a stable outlook on the Taxable General Revenue Bonds, Series 2021, on May 13, 2021.

As reflected in the following chart, total capital debt decreased by $17.3 million in fiscal year 2022. Due to the application of GASB 87 during fiscal year 2022, there were substantial reporting changes to lease payables. Fiscal year 2021 was restated to reflect these changes. Note 8 to the financial statements provides information on debt administration.

Capital Debt Summary
Dollars in Thousands

	2022	2021 Restated	Change
Revenue Bonds Payable	$ 334,175	$ 347,375	$ (13,200)
Bonds from Direct Placements	16,775	18,975	(2,200)
Bond Discounts/Premiums	13,785	14,606	(821)
Notes from Direct Borrowings	934	1,979	(1,045)
Total Capital Debt	$ 365,669	$ 382,935	$ (17,266)

Economic and Strategic Outlook

The State of North Carolina approved the biennium budget for 2021-2023 in November 2021. The University of North Carolina System received significant funding for repairs and renovation projects, new capital projects, enrollment funding, and employee compensation. For fiscal year 2022-2023, the University anticipates receiving $2.7 million more in state appropriations for enrollment funding. ECU received funding for a new Medical Education Building. Employees will receive a permanent 3.5% salary increase for fiscal year 2023. Additionally, appropriations were provided equal to 1% of the University's state-funded salary and benefits base to use for discretionary labor market adjustments to strategically assist in addressing labor market needs and to better retain existing talent. Tuition rates did not increase for fiscal year 2022-23 and fees increased by 0.3%.

Fall 2022 enrollment decreased 3.1% in total headcount. The University is already at work in implementing multiple strategic actions to help further increase enrollment and retention rates at ECU. The strategic actions being deployed after extensive internal analysis and in conjunction with recommendations from two separate external consultants are: (1) continue to expand out-of-state recruitment through in-person events and targeted marketing using consumer segmentation systems (2) continue to grow international student enrollment through targeted (both program and geography) social media campaigns and utilization of international recruiting services and, (3) expand targeted recruitment to adult learner population through more efficient curriculum pathways, revisiting obstructionist transfer policies, and targeting marketing to specific employment and interest segments (biopharma, advance manufacturing, health sciences, education, military affiliated, etc.). Additionally, the University is now using customer relationship management technology to assist in managing our relationships with potential students and additional areas for efficiency and better quality service are being explored through process mapping and business process reviews. Chatbots and nudge campaigns are scheduled to be deployed to assist with student retention efforts. Finally, a thorough analysis of financial aid policies and practices is scheduled for Fall 2022 to determine how funding may be more efficiently used to help students both access and sustain an ECU education.

The University started Fall 2022 with all residence halls experiencing full occupancy except for Fleming residence hall, which is closed this academic year for repairs and renovations.

The University has almost $13 million remaining to draw down in HEERF III funds. The remaining funds will be spent on student awards, tutoring and mental health services, COVID mitigation, and recovery of lost revenues.

Vidant Health rebranded to ECU Health as part of the joint operating agreement with ECU to move towards full clinical integration and the creation of a distinctive health system brand, ECU Health, to serve the 1.4 million residents of eastern North Carolina. The organizations' academic and clinical leadership continue to work together to transform and build on combined strengths to create a regional health care, research, and educational enterprise.

In fiscal year 2021-2022, ECU recorded its largest increase in sponsored awards and clinical trials funding. This success is from ECU's investments in the research infrastructure and personnel since 2015. Strong performance in these areas is expected to continue. Clinical trial operations are led by the Brody School of Medicine, which is in the process of implementing a new clinical trial strategy that will support expanded enrollment and engagement with industry partners in the coming years. In addition, the University's research and innovation campus continues to provide opportunities for engagement in public-private partnerships both on the health sciences campus and at the Coastal Studies Institute. In addition, Intersect East, located near the main campus of the University, is under construction with an expected opening in Spring 2024. Elliot Sidewalk Communities, the developer working on this project, is seeking tenants that align with University research strengths and strategic priorities for economic development growth over the next ten years. The partnerships that emerge between Intersect East tenants and the University are likely to create opportunities for grant and industry funded projects in the future.

ECU is committed to the continued success of the University and its students. Management remains prudent, conservative, and strategic in managing the institution's financial affairs and remains dedicated to the University's mission of public service, regional transformation, and student success.

Contacting the University's Financial Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the University's finances and show accountability for all funds received. Additional financial information may be obtained by accessing the Financial Services webpage (https://financialservices.ecu.edu/) or contacting Financial Services at (252) 737-1133.

FINANCIAL STATEMENTS

East Carolina University
Statement of Net Position
Proprietary Fund
June 30, 2022

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 317,809,158
Restricted Cash and Cash Equivalents	43,676,654
Receivables, Net (Note 5)	63,634,521
Due from University Component Units	2,048,629
Inventories	3,442,898
Notes Receivable, Net (Note 5)	272,456
Leases Receivable (Note 9)	478,683
Other Assets	5,947,174
Total Current Assets	437,310,173
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	57,168,804
Receivables (Note 5)	13,355,244
Endowment Investments	65,418,584
Restricted Investments	30,632
Notes Receivable, Net (Note 5)	4,581,055
Leases Receivable (Note 9)	1,024,914
Investments in Joint Ventures	262,413
Net Other Postemployment Benefits Asset	376,175
Capital Assets - Nondepreciable (Note 6)	55,577,988
Capital Assets - Depreciable, Net (Note 6)	1,206,027,703
Total Noncurrent Assets	1,403,823,512
Total Assets	1,841,133,685
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	4,925,930
Deferred Outflows Related to Pensions	61,169,566
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	115,985,779
Total Deferred Outflows of Resources	182,081,275
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	29,227,653
Due to Primary Government	6,884,068
Deposits Payable	1,396,390
Unearned Revenue	25,650,929
Interest Payable	2,984,489
Long-Term Liabilities - Current Portion (Note 8)	25,545,653
Total Current Liabilities	91,689,182

Noncurrent Liabilities:	
Funds Held for Others	135,933
Unearned Revenue	10,909,634
U.S. Government Grants Refundable	6,449,078
Long-Term Liabilities, Net (Note 8)	1,190,597,665
Total Noncurrent Liabilities	1,208,092,310
Total Liabilities	1,299,781,492
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	82,830,147
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	243,878,906
Deferred Inflows for Leases	1,484,613
Total Deferred Inflows of Resources	328,193,666
NET POSITION	
Net Investment in Capital Assets	871,449,336
Restricted:	
Nonexpendable:	
True Endowments	45,703,913
Student Loans and Other	2,478,188
Total Restricted-Nonexpendable Net Position	48,182,101
Expendable:	
Scholarships, Research, Instruction, and Other	32,276,880
Capital Projects	44,522,267
Debt Service	15,944,558
Total Restricted-Expendable Net Position	92,743,705
Unrestricted	(617,135,340)
Total Net Position	$ 395,239,802

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

East Carolina University
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2022 ***Exhibit A-2***

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 11)	$ 186,784,895
Patient Services, Net (Note 11)	243,121,973
Federal Grants and Contracts	44,205,241
State and Local Grants and Contracts	7,450,158
Nongovernmental Grants and Contracts	14,021,038
Sales and Services, Net (Note 11)	85,935,067
Interest Earnings on Loans	256,342
Lease Income	485,516
Other Operating Revenues	1,485,643
Total Operating Revenues	583,745,873
OPERATING EXPENSES	
Salaries and Benefits	542,787,289
Supplies and Services	219,357,102
Scholarships and Fellowships	69,777,378
Utilities	18,028,460
Depreciation/Amortization	41,821,418
Total Operating Expenses	891,771,647
Operating Loss	(308,025,774)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	329,264,475
State Aid - Coronavirus	8,347,432
Student Financial Aid	54,791,665
Federal Aid - COVID-19	45,347,024
Noncapital Contributions	18,280,895
Investment Loss (Includes Investment Expense of $169,549)	(7,005,371)
Interest and Fees on Debt	(12,159,629)
Interest Earned on Leases	22,066
Other Nonoperating Revenues	942,611
Net Nonoperating Revenues	437,831,168
Income Before Other Revenues	129,805,394
Capital Contributions	36,255,989
Additions to Endowments	3,159,316
Total Other Revenues	39,415,305
Increase in Net Position	169,220,699
NET POSITION	
Net Position - July 1, 2021	226,019,103
Net Position - June 30, 2022	$ 395,239,802

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

East Carolina University
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 569,170,375
Payments to Employees and Fringe Benefits	(635,396,374)
Payments to Vendors and Suppliers	(234,252,119)
Payments for Scholarships and Fellowships	(69,777,378)
Loans Issued	(91,500)
Collection of Loans	1,098,021
Interest Earned on Loans	744,920
Student Deposits Received	956,225
Student Deposits Returned	(1,232,855)
William D. Ford Direct Lending Receipts	128,213,885
William D. Ford Direct Lending Disbursements	(128,214,980)
Related Activity Agency Receipts	27,331,340
Related Activity Agency Disbursements	(27,496,783)
Net Cash Used by Operating Activities	(368,947,223)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	329,264,475
State Aid - Coronavirus	7,334,498
Student Financial Aid	51,551,136
Federal Aid - COVID-19	45,347,024
Noncapital Contributions	13,892,340
Additions to Endowments	1,159,316
Cash Provided by Noncapital Financing Activities	448,548,789
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
Capital Contributions	36,128,390
Proceeds from Sale of Capital Assets	1,878,175
Proceeds from Lease Arrangements	510,663
Acquisition and Construction of Capital Assets	(36,127,512)
Principal Paid on Capital Debt and Leases	(21,488,367)
Interest and Fees Paid on Capital Debt and Leases	(12,604,983)
Net Cash Used by Capital Financing and Related Financing Activities	(31,703,634)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	2,136,978
Investment Income	8,309,332
Investments in Joint Ventures	200,000
Purchase of Investments and Related Fees	(7,893,114)
Net Cash Provided by Investing Activities	2,753,196
Net Increase in Cash and Cash Equivalents	50,651,128
Cash and Cash Equivalents - July 1, 2021	368,003,488
Cash and Cash Equivalents - June 30, 2022	$ 418,654,616

East Carolina University
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2022

Exhibit A-3

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (308,025,774)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	41,821,418
Capital Asset Impairment Loss	1,917,923
Lease Income (Amortized Deferred Inflows of Resources)	(485,516)
Allowances and Write-Offs	1,239,211
Other Nonoperating Income	258,650
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(16,314,599)
Due from University Component Units	(762)
Inventories	(702,594)
Prepaid Assets	(1,631,330)
Notes Receivable, Net	1,006,521
Net Other Postemployment Benefits Asset	845,189
Deferred Outflows Related to Pensions	3,104,108
Deferred Outflows Related to Other Postemployment Benefits	(19,126,993)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	539,150
Due to Primary Government	518,478
Funds Held for Others	(71,020)
Unearned Revenue	2,885,349
Net Pension Liability	(103,195,611)
Net Other Postemployment Benefits Liability	55,851,544
Compensated Absences	(2,474,959)
Deposits Payable	(276,631)
Workers' Compensation Liability	(266,783)
Deferred Inflows Related to Pensions	80,922,416
Deferred Inflows Related to Other Postemployment Benefits	(107,284,608)
Net Cash Used by Operating Activities	$ (368,947,223)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 3,608,669
Assets Acquired through a Gift	133,005
Change in Fair Value of Investments	(15,314,703)
Gain on Investments in Joint Ventures	194,698
Amortization of Bond Premiums/Discounts	(821,104)
Increase in Receivables Related to Other Revenues	2,000,000
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(4,383,149)

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

East Carolina University
Statement of Fiduciary Net Position
Fiduciary Fund - Custodial Funds
June 30, 2022 ***Exhibit B-1***

	Other Funds
ASSETS	
Cash and Cash Equivalents	$ 10,749,536
Total Assets	10,749,536
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	-
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Restricted for:	
Affiliated Organizations	10,749,536
Total Fiduciary Net Position	$ 10,749,536

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

East Carolina University
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Custodial Funds
For the Fiscal Year Ended June 30, 2022 — *Exhibit B-2*

		Other Funds
ADDITIONS		
Contributions:		
Affiliated Organizations	$	17,578,307
DEDUCTIONS		
Withdrawals and Distributions		14,157,563
Increase in Fiduciary Net Position		3,420,744
NET POSITION		
Net Position - July 1, 2021		7,328,792
Net Position - June 30, 2022	$	10,749,536

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

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statements of Financial Position
June 30, 2022 *Exhibit C-1*

		Total
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	9,495,089
Current Portion of Unconditional Promises to Give, Net		1,082,452
Prepaid Expenses		22,408
Other Receivables		6,854
Total Current Assets		10,606,803
INVESTMENTS		
Investments		167,109,596
Real Estate Held for Investment		1,084,808
Total Investments		168,194,404
CAPITAL ASSETS		
Capital Assets, Net		8,490,873
OTHER ASSETS		
Life Insurance Policy-Cash Surrender Value		272,437
Student Loans, Net		59,519
Beneficial Interest in Charitable Remainder Trusts		5,650,782
Assets Held in Charitable Remainder Trusts and Annuities		519,441
Unconditional Promises to Give, Less Current Portion, Net		1,847,025
Other Assets		52,440
Total Other Assets		8,401,644
TOTAL ASSETS	$	195,693,724
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$	45,325
Accrued Expenses		5,361
Current Portion of Note Payable		449,474
Current Portion of Charitable Gift Annuities Payable		5,945
Agency Payables		3,686,163
Deferred Revenue		20,000
Total Current Liabilities		4,212,268
LONG-TERM LIABILITIES		
Refundable Advances		47,308
Note Payable, Less Current Portion		4,117,710
Charitable Gift Annuities Payable, Less Current Portion		37,609
Liabilities Under Charitable Remainder Trusts		106,132
Total Long-Term Liabilities		4,308,759
Total Liabilities		8,521,027
NET ASSETS		
Without Donor Restrictions:		20,843,138
With Donor Restrictions		166,329,559
Total Net Assets		187,172,697
Total Liabilities and Net Assets	$	195,693,724

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

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statements of Activities
For the Fiscal Year Ended June 30, 2022 — *Exhibit C-2*

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	$ 223,499	$ 12,170,330	$ 12,393,829
Gifts in Kind	4,574	70,492	75,066
Contributed Services and Facilities	2,071,955	-	2,071,955
Return on Investments			
Interest and Dividends	2,016,776	6,855,862	8,872,638
Net Unrealized and Realized Losses on Investments	(7,512,641)	(20,168,205)	(27,680,846)
Other Income	1,159,628	361,871	1,521,499
Change in Value of Split Interest Agreements	-	(64,422)	(64,422)
Net Assets Released from Restrictions	10,813,819	(10,813,819)	-
Total Revenues, Gains (Losses), and Other Support	8,777,610	(11,587,891)	(2,810,281)
Expenses:			
Program Services			
Program Development	6,480,613	-	6,480,613
Scholarships	4,071,781	-	4,071,781
Total Program Services	10,552,394	-	10,552,394
General and Administrative	1,448,755	-	1,448,755
Fundraising	1,715,062	-	1,715,062
Total Operating Expenses	13,716,211	-	13,716,211
Bad Debt Losses	-	6,410	6,410
Total Expenses	13,716,211	6,410	13,722,621
Change in Net Assets	(4,938,601)	(11,594,301)	(16,532,902)
NET ASSETS			
Net Assets at Beginning of Year	25,781,739	177,923,860	203,705,599
Net Assets at End of Year	$ 20,843,138	$ 166,329,559	$ 187,172,697

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. East Carolina 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 unit. 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 unit is discretely presented in the University's financial statements. See below for further discussion of the University's component unit. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit - East Carolina University Foundation, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University. East Carolina University Real Estate Foundation, Inc. and Green Town Properties, Inc. are the consolidated affiliates of the Foundation.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of 69 members. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation reports its 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 revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2022, the Foundation distributed $10,552,394 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the University Financial Services Office, 2200 Charles Blvd., Suite 2900, Greenville, NC 27858, or by calling (252) 737-1133.

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

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

Fiduciary Fund - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of affiliated organizations. Custodial funds include resources held on behalf of three separately incorporated nonprofit foundations associated with the University. See Note 17 for detailed information regarding the nature of the fiduciary activities.

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

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

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, 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.

Other asset holdings are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

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, charges for services rendered to patients, 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, are valued at cost using either the first-in, first-out or last invoice cost method.

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

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. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of $250,000 or greater and an estimated useful life of more than one year.

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

Asset Class	Estimated Useful Life
Buildings	10-75 years
Machinery and Equipment	2-50 years
General Infrastructure	10-50 years
Computer Software	2-20 years

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

The University does not capitalize the library and art 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.

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 payable, bonds from direct placements, and notes from direct borrowings. Other long-term liabilities include: leases payable, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

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

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2021 *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 13 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2021 *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. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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

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

M. Deferred Outflows/Inflows of Resources - Deferred outflows of resources represent a consumption of net 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 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

Fiduciary Fund

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

At June 30, 2022, the amount shown on the Statement of Net Position as cash and cash equivalents includes $418,457,396 for the proprietary fund and $10,749,536 for the fiduciary fund, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.9 years as of June 30, 2022. 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, 2022 was $78,188. The carrying amount of the University's deposits not with the State Treasurer, was $119,032, and the bank balance was $119,865. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2022, the University's bank balance was not exposed to custodial credit risk.

B. Investments

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

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

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

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

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

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

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University's Endowment Board has a formal policy that addresses interest rate risk. The policy states that fixed income investments should have a duration that is not greater than +/-40% that of Barclays Capital Aggregate Bond Index in order to minimize interest rate risk. The University has no formal investment policy that addresses interest rate risk for investments other than those under the control of the Endowment Board.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Each equity and fixed income investment manager must assure that no position of any one issuer shall exceed 8% of the manager's portfolio at market value, with the exception of securities issued by the U.S. government and its agencies. The aggregate fixed income portfolio must have an overall weighted average credit rating of "A" or better by Moody's and Standard & Poor's rating services. The aggregate fixed income portfolio shall not contain more than 20% of investments rated below investment grade (below Baa/BBB). No more than 60% of the portfolio shall be invested in either corporate or mortgage-backed securities. The committee will monitor the composition of the fixed income portfolio relative to the opportunity set available. The committee understands there may be periods when credit risk is acceptable for the returns expected and as such may choose minor deviations from the guidelines noted above, particularly in the case of investing in public debt funds where the manager's security selection decisions may include a small allocation to below investment grade bonds. The University has no formal investment policy that addresses credit risk for investments other than those under the control of the Endowment Board.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Currently, the Portfolio does not participate in a securities lending program, therefore counterparty risk is not material. With regard to the safety of assets held by the custodian, the Foundation and the Fund retain title to those assets; as such, in the event of the broker/dealer failure, the assets held do not become assets of the broker/dealer and are protected from any counterparty claimants. The University has no formal investment policy that addresses custodial credit risk for investments other than those under the control of the Endowment Board.

Long-Term Investment Pool - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using market unit valuation basis each month. Under this method, the total pool unit value is adjusted each month and participating fund's investment balance is determined based on its number of units owned. Valuation of the underlying assets is performed by the custodian. The investment strategy, including the selection of investment managers, is based on the directives of the Board of Trustees of the Endowment Fund.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2022, for the Long-Term Investment Pool:

Long-Term Investment Pool

		Investment Maturities (in Years)			
	Amount	Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities					
Debt Mutual Funds	$ 8,682,189	$ -	$ 9,928	$ 5,106,020	$ 3,566,241
Money Market Mutual Funds	3,260,792	3,260,792	-	-	-
Total Debt Securities	11,942,981	$ 3,260,792	$ 9,928	$ 5,106,020	$ 3,566,241
Other Securities					
UNC Investment Fund	5,018,259				
International Mutual Funds	9,961,399				
Equity Mutual Funds	25,821,061				
Hedge Funds	4,144,410				
Private Equity Limited Partnerships	5,239,467				
Other Limited Partnerships	3,041,536				
Domestic Stocks	238,790				
Foreign Stocks	5,275				
Total Long-Term Investment Pool	$ 65,413,178				

At June 30, 2022, investments in the Long-Term Investment Pool had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below
Debt Mutual Funds	$ 8,682,189	$ -	$ 66,484	$ 7,454,215	$ 1,151,562	$ 9,928
Money Market Mutual Funds	3,260,792	3,260,792	-	-	-	-
Totals	$ 11,942,981	$ 3,260,792	$ 66,484	$ 7,454,215	$ 1,151,562	$ 9,928

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

At June 30, 2022, investments in the Long-Term Investment Pool were exposed to custodial credit risk as follows:

Investment Type	Held by Counterparty
Domestic Stocks	$ 238,790
Foreign Stocks	5,275
Total	$ 244,065

UNC Investment Fund, LLC - At June 30, 2022, the University's investments include $5,018,259, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments - The following table presents investments by type and investments subject to interest rate risk at June 30, 2022, for the University's non-pooled investments:

Non-Pooled Investments

	Amount	Investment Maturities (in Years) Less Than 1
Investment Type		
Debt Securities		
Money Market Mutual Funds	$ 30,632	$ 30,632
Other Securities		
Domestic Stocks	5,406	
Total Non-Pooled Investments	$ 36,038	

At June 30, 2022, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa
Money Market Mutual Funds	$ 30,632	$ 30,632

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

Total Investments - The following table presents the total investments at June 30, 2022:

	Amount
Investment Type	
Debt Securities	
Debt Mutual Funds	$ 8,682,189
Money Market Mutual Funds	3,291,424
Other Securities	
UNC Investment Fund	5,018,259
International Mutual Funds	9,961,399
Equity Mutual Funds	25,821,061
Hedge Funds	4,144,410
Private Equity Limited Partnerships	5,239,467
Other Limited Partnerships	3,041,536
Domestic Stocks	244,196
Foreign Stocks	5,275
Total Investments	$ 65,449,216

Component Unit - Investments of the University's discretely presented component unit, the East Carolina University Foundation, Inc., are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the East Carolina University Foundation, Inc. reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Amount
Investment Type	
Common Stock	$ 20,000
Mutual Funds	114,501,875
Total Marketable Securities	114,521,875
Alternative Investments	52,587,721
Total Investments	$ 167,109,596

NOTE 3 - FAIR VALUE MEASUREMENTS

University - To the extent available, the University's investments are recorded at fair value as of June 30, 2022. 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, 2022:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	$ 8,682,189	$ 8,682,189	$ -	$ -
Money Market Mutual Funds	3,291,424	3,291,424	-	-
Total Debt Securities	11,973,613	11,973,613	-	-
Other Securities				
International Mutual Funds	9,961,399	9,961,399	-	-
Equity Mutual Funds	25,821,061	25,821,061	-	-
Domestic Stocks	244,196	244,196	-	-
Foreign Stocks	5,275	5,275	-	-
Total Investments by Fair Value Level	48,005,544	$ 48,005,544	$ -	$ -
Investments Measured at the Net Asset Value (NAV)				
Hedge Funds	4,144,410			
Private Equity Limited Partnerships	5,239,467			
Other Limited Partnerships	3,041,536			
Total Investments Measured at the NAV	12,425,413			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	429,206,932			
UNC Investment Fund	5,018,259			
Total Investments as a Position in an External Investment Pool	434,225,191			
Total Investments Measured at Fair Value	$ 494,656,148			

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

UNC Investment Fund - Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund's operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The

University's position in the pool is measured and reported at fair value and the UNC Investment Fund is not required to be categorized within the fair value hierarchy.

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

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2022:

Investments Measured at the NAV	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period**
Hedge Funds[A]				
Magnitude International Fund Ltd	$ 4,144,410	$ -	Semi-Liquid	90 Days - 2 Years
Private Equity Limited Partnerships[B]				
FEG Private Opportunities I	435,134	25,750	Ineligible	N/A
FEG Private Opportunities II	633,892	22,500	Ineligible	N/A
FEG Private Opportunities III	1,621,262	100,000	Ineligible	N/A
FEG Private Opportunities IV	1,978,421	490,000	Ineligible	N/A
Northgate Private Equity Partners I	6,542	12,000	Ineligible	N/A
Twin Bridge Narrow Gate	564,216	1,458,659	Ineligible	N/A
Other Limited Partnerships[C]				
Champlain Investment Partners, LLC	2,401,643	-	Monthly	30 Days
Falcon Private Credit Opportunities VI, LLP	639,893	211,877	Ineligible	N/A
Total Investments Measured at the NAV	$ 12,425,413			

A. **Hedge Funds** - This type includes investments in two hedge funds that are in the fund-of-funds category. The funds invest in both long and short positions across a globally allocated pool of various types of assets. The hedge fund investments pursue a variety of strategies, including real estate, debt, equity, and other hedging strategies. Management of each hedge fund has the ability to use leverage in the funds and to shift investments from value to growth strategies, from small to large capitalization stocks and from net long positions to net short positions. The fair values of the investments in this type have been determined using the NAV per share of the investments. Restriction periods ranged from 30 days to 2 years on these investments as of June 30, 2022.

B. **Private Equity Limited Partnerships -** This type includes investments in six private equity funds that are in the fund-of-funds category. The funds generally invest in long positions across a globally allocated pool of various types of assets. The private equity investments include funds whose focus is on buyouts, distressed debt, real assets, and various real estate purchases. Management of each fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, invest in a variety of debt structures, and participate in buyout opportunities across a wide variety of industries. The fair values of the investments in this type have been determined using the NAV per share of the investments. A limited amount of the underlying managers use leverage in their return strategy. These are closed period funds which do not permit redemptions for an extended period of time or until the underlying managers liquidate and disburse funds.

C. **Other Limited Partnerships** - This type includes investments in a private equity limited liability company and a private distressed debt fund. The private equity limited liability fund holds equity investments that include stocks of small and medium sized companies. The portfolio consists of 65 to 100 actively managed common stocks from the Russell 2000, S&P SmallCap 600, and S&P MidCap 400. The fund is open for redemption with a 30-day notice period. The private distressed debt fund includes an investment in one private equity fund that is in the fund-of-funds category. The fund includes equity investments in limited partnership funds in banking, hedge funds, commercial real estate, distressed debt, residential real estate, real property, and hospitality. This is a closed period fund which does not permit redemptions for an extended period of time or until the underlying managers liquidate and disburse funds.

Component Unit - Fair value as defined under GAAP is an exit price, representing 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. In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. These valuation methodologies have not changed and are consistent with prior years.

Mutual funds listed on a national market or exchanges are valued at the last sales price. If there is no sale, and the market is considered still active, equity securities are valued at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy. Investments in real estate are valued based on independent appraisals and county tax records and are classified within Level 2 of the valuation hierarchy.

Investments in charitable remainder trusts and annuities are valued at the market price of the investments held and are classified as Level 2 of the valuation hierarchy. While the Foundation has access to a detailed listing of the underlying assets held in these trusts and annuities, the majority of which are publicly traded and readily available in active markets, the trusts themselves do not have daily quoted active market prices. Investments in these trusts and annuities are valued per share based on the market prices of the underlying assets.

Beneficial interest in charitable remainder trusts is valued at the market price of the investments and is classified as Level 3 of the valuation hierarchy. While the Foundation has access to a detailed listing of the underlying assets held in these trusts, the majority of which are publicly traded and readily available in active markets, the beneficial interests are determined through discounted cash flow analysis.

The fair value of the Foundation's charitable gift annuity obligations is based on the net present value of the anticipated benefit using the difference between the assets received and the original contribution. As beneficiary payments are made, the liability is adjusted based on an amortization schedule. The annuity obligations are included in Level 2 of the fair value hierarchy.

The fair value of liabilities under charitable remainder trusts is based on the net present value of the anticipated benefit payments from the trust for which the Foundation is both a beneficiary and trustee. As beneficiary payments are made, the life expectancy of the beneficiary decreases and discount rates fluctuate year to year, the Foundation adjusts the liability accordingly. The trust liabilities are included in Level 2 of the fair value hierarchy.

The following tables present assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2022:

	Financial Assets (Liabilities) at Fair Value as of June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments in Mutual Funds	$ 114,501,875	$ -	$ -	$ 114,501,875
Investments in Common Stock	20,000	-	-	20,000
Investments in Real Estate	-	1,084,808	-	1,084,808
Investments in Private Equity Funds Measured at Net Asset Value [a]	-	-	-	13,462,995
Investments in Private Credit Funds Measured at Net Asset Value [a]	-	-	-	914,133
Investments in Public Equity Strategies Funds Measured at Net Asset Value [a]	-	-	-	4,271,837
Investments in Hedge Funds Measured at Net Asset Value [a]	-	-	-	33,938,756
Total	$ 114,521,875	$ 1,084,808	$ -	$ 168,194,404
Investments in Charitable Remainder Trusts and Annuities	$ -	$ 519,441	$ -	$ 519,441
Beneficial Interest in Charitable RemainderTrusts	$ -	$ -	$ 5,650,782	$ 5,650,782
Liabilities Under Charitable Gift Annuities	$ -	$ (43,554)	$ -	$ (43,554)
Liabilities Under Charitable Remainder Trust	$ -	$ (106,132)	$ -	$ (106,132)

[a]In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Consolidated Statements of Financial Position.

There were no transfers among Level 1, Level 2, or Level 3 assets during the years ended June 30, 2022. When transfers occur, they are recognized at the end of the reporting period.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Foundation's Board of Directors assesses and approves these policies and procedures. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2022:

	Amount
Balance, Beginning of Year	$ 5,822,565
Distributions from Level 3	-
Additions to Level 3	-
Revaluation of Split Interest Agreements	(171,783)
Balance, End of Year	$ 5,650,782

Revaluation of split interest agreements applicable to instruments valued using significant unobservable inputs (Level 3) shown on the previous page are included in the change in net assets for 2022 in the Consolidated Statements of Activities.

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and ranges of values for those unobservable inputs.

	Significant Unobservable Inputs at June 30, 2022			
	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Beneficial Interests in Charitable Remainder Trusts	$ 5,650,782	Discounted Cash Flows	Payout Rate Discount Rate	5.5 - 7.0% -0.7 - 5.3%

	Alternative Investments at June 30, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Private Equity Funds:				
FEG Private Opportunities Fund	$ 2,608,803	$ 154,500	Ineligible	N/A
FEG Private Opportunities Fund II	3,803,352	135,000	Ineligible	N/A
FEG Private Opportunities Fund III	2,431,893	150,000	Ineligible	N/A
FEG Private Opportunities Fund IV	3,462,378	857,500	Ineligible	N/A
Northgate Private Equity Partners	28,139	48,000	Ineligible	N/A
Twin Bridge	1,128,430	2,917,317	Ineligible	N/A
Total Private Equity Funds	13,462,995	4,262,317		
Private Credit Fund:				
Falcon Private Opportunities VI	914,133	302,678	Ineligible	N/A
Public Equity Strategies:				
Champlain Small Cap Fund, LLC	4,271,837	-	Monthly	30 Days
Hedge Funds:				
Magnitude International, Ltd.	10,153,847	-	Quarterly	90 Days - 2 Years
UNC Investment Fund, LLC	23,784,909	-	Monthly	30 Days
Total Hedge Funds	33,938,756	-		
Total Alternative Investments	$ 52,587,721	$ 4,564,995		

The Foundation invests in alternative investment vehicles as a hedge against broader market risks by further diversifying the portfolio holdings. Investments in both private equity and hedge funds are in the fund-of-funds category. The private equity investments include funds whose focus is on buyouts and distressed debt purchases. The hedge fund investments pursue a variety of strategies, including real estate, equity, and other hedging strategies.

The Foundation invest in various types of investment securities, which are exposed to various risks, such as interest rate, market, and credit risk. 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 such changes could materially affect the amounts reported in the Consolidated Statements of Financial Position.

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 eligible University endowment funds are based on an adopted spending policy which provides a distribution of 4% of the endowment fund's thirty-six month weighted average balance. The annual payout each fiscal year end is communicated to departments in the fall of the following fiscal year and posted to their expendable funds in the fall of the fiscal year following the communication. To the extent that the total return for the current year exceeds the payout and a 1.25% administrative fee, the excess is added to accumulated earnings unless donor restrictions require that it be added to the principal. If current year earnings do not meet the payout requirements, to the extent possible the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2022, endowment net position of $24,065,611 were available to be spent, all of which was restricted to specific purposes.

During the current year, the University incurred investment losses that exceeded the related endowment's available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2022 the amount of investment losses reported against the nonexpendable endowment balances was $136,426.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2022, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 5,587,818	$ 1,109,416	$ 4,478,402
Student Sponsors	515,247	-	515,247
Patients	81,026,245	39,426,978	41,599,267
Accounts	2,886,724	11,143	2,875,581
Intergovernmental	4,748,328	-	4,748,328
Grant Sponsors	8,564,260	-	8,564,260
Interest on Loans	138,480	-	138,480
Other	714,956	-	714,956
Total Current Receivables	$ 104,182,058	$ 40,547,537	$ 63,634,521
Noncurrent Receivables:			
Athletic Seat Rights	$ 9,213,586	$ -	$ 9,213,586
Patients	4,141,658	-	4,141,658
Total Noncurrent Receivables	$ 13,355,244	$ -	$ 13,355,244
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 420,427	$ 148,471	$ 271,956
Institutional Student Loan Programs	500	-	500
Total Notes Receivable - Current	$ 420,927	$ 148,471	$ 272,456
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 5,193,130	$ 612,075	$ 4,581,055

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2022, is presented as follows:

	Balance July 1, 2021 (as Restated)	Increases	Decreases	Balance June 30, 2022
Capital Assets, Nondepreciable:				
Land	$ 52,713,164	$ -	$ 169,194	$ 52,543,970
Construction in Progress	84,980,165	19,471,965	101,418,112	3,034,018
Total Capital Assets, Nondepreciable	137,693,329	19,471,965	101,587,306	55,577,988
Capital Assets, Depreciable:				
Buildings	1,191,900,307	86,283,391	989,366	1,277,194,332
Machinery and Equipment	176,520,196	8,008,200	3,441,300	181,087,096
General Infrastructure	203,362,055	13,538,464	577,999	216,322,520
Computer Software	13,335,538	-	-	13,335,538
Right-to-Use Leased Buildings	31,256,917	2,833,752	-	34,090,669
Right-to-Use Leased Machinery and Equipment	1,396,772	774,917	-	2,171,689
Total Capital Assets, Depreciable	1,617,771,785	111,438,724	5,008,665	1,724,201,844
Less Accumulated Depreciation/Amortization for:				
Buildings	323,074,253	19,734,460	633,570	342,175,143
Machinery and Equipment	104,643,368	10,667,119	2,838,592	112,471,895
General Infrastructure	43,174,088	5,264,840	352,579	48,086,349
Computer Software	9,285,755	667,391	-	9,953,146
Right-to-Use Leased Buildings	-	5,088,630	-	5,088,630
Right-to-Use Leased Machinery and Equipment	-	398,978	-	398,978
Total Accumulated Depreciation/Amortization	480,177,464	41,821,418	3,824,741	518,174,141
Total Capital Assets, Depreciable, Net	1,137,594,321	69,617,306	1,183,924	1,206,027,703
Capital Assets, Net	$ 1,275,287,650	$ 89,089,271	$ 102,771,230	$ 1,261,605,691

At year-end, the total amount of leased assets was $36,262,358 and the related accumulated amortization was $5,487,608.

Supplies and services expense includes an impairment loss of $1,917,923 related to Construction in Progress for the Student Services Building-One Stop Shop. This is due to the institutional decision not to incur additional debt funding and to shift funding to other strategic priorities. Carrying costs of $1,917,923 for completed design services through construction document submittal have been recognized as operating expenses related to this impairment. There is no insurance recovery associated with this.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2022, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 6,806,320
Accounts Payable - Capital Assets	2,883,464
Accrued Payroll	18,081,600
Contract Retainage	1,158,375
Other	297,894
Total Current Accounts Payable and Accrued Liabilities	$ 29,227,653

NOTE 8 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2022, is presented as follows:

	Balance July 1, 2021 (as Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 347,375,000	$ -	$ 13,200,000	$ 334,175,000	$ 12,485,000
Bonds from Direct Placements	18,975,000	-	2,200,000	16,775,000	2,260,000
Plus: Unamortized Premium	17,515,899	-	948,262	16,567,637	-
Less: Unamortized Discount	2,910,121	-	127,158	2,782,963	-
Total Revenue Bonds Payable and Bonds from Direct Placements, Net	380,955,778	-	16,221,104	364,734,674	14,745,000
Notes from Direct Borrowings	1,978,674	-	1,044,683	933,991	841,697
Total Long-Term Debt	382,934,452	-	17,265,787	365,668,665	15,586,697
Other Long-Term Liabilities					
Leases Payable	32,653,689	3,608,669	5,043,684	31,218,674	4,997,787
Employee Benefits					
Compensated Absences	30,922,660	22,161,700	24,636,659	28,447,701	3,862,074
Net Pension Liability	165,192,312	-	103,195,611	61,996,701	-
Net Other Postemployment Benefits Liability	673,169,944	51,468,395	-	724,638,339	-
Workers' Compensation	4,440,021	1,591,070	1,857,853	4,173,238	1,099,095
Total Other Long-Term Liabilities	906,378,626	78,829,834	134,733,807	850,474,653	9,958,956
Total Long-Term Liabilities, Net	$ 1,289,313,078	$ 78,829,834	$ 151,999,594	$ 1,216,143,318	$ 25,545,653

Additional information regarding leases payable is included in Note 9.
Additional information regarding the net pension liability is included in Note 13.
Additional information regarding the net other postemployment benefits liability is included in Note 14.
Additional information regarding workers' compensation is included in Note 15.

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

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2022
Revenue Bonds Payable					
General Revenue Bonds Payable					
Refunding of 2004C College Hill Dormitory Construction	2013A	2.5-4.0	10/01/2033	$ 10,905,000	$ 10,905,000
Gateway East and West Housing Project	2014A	5.0	10/01/2023	53,685,000	2,565,000
West Facility Student Center	2015A	3.0-5.0	10/01/2044	29,955,000	26,230,000
Refunding of 2009A Bonds Dining Project Croatan	2015A	3.0-5.0	10/01/2029	5,164,922	4,157,796
Refunding of 2009A Bonds Scott Residence Hall	2015A	3.0-5.0	10/01/2034	24,248,294	21,014,488
Refunding of 2009A Softball Field Project	2015A	3.0-5.0	10/01/2034	3,946,784	3,417,716
Refunding of 2006A Bonds College Hill Dormitory	2015A	3.0-5.0	10/01/2033	2,930,000	2,240,000
East Union Project	2016A	2.25-5.0	10/01/2045	102,730,000	92,040,000
Housing Projects (White, Clement, & Greene)	2016A	2.25-5.0	10/01/2045	37,190,000	33,475,000
Dowdy Ficklen Stadium Renovation	2018A	2.25-5.0	10/01/2047	51,685,000	49,535,000
Greene Residence Hall	2018A	2.25-5.0	10/01/2047	24,110,000	22,585,000
Refunding of 2010B Bonds Tyler Dorm Project (BAB)	2020	1.5-4.0	10/01/2030	6,121,043	5,610,873
Refunding of 2010B Bonds Olympic Sports Facility (BAB)	2020	1.5-4.0	10/01/2035	10,718,957	10,154,127
Refunding of 2014A Gateway East and West Housing Project	2021	0.2-3.0	10/01/2043	50,100,000	49,245,000
Total General Revenue Bonds				413,490,000	333,175,000
The University of North Carolina System Pool Revenue Bonds					
Refunding of 2004C College Hill Dormitory Construction	2011A	4.0	05/01/2023	2,545,000	1,000,000
Bonds from Direct Placements					
Refunding of 2010A Pool East End Zone Project	2017A	2.19	10/01/2029	12,490,000	10,010,000
Refunding of Gen Rev Ref 2012 - 2003 West End Dining	2017B	1.99	10/01/2023	3,330,217	2,193,710
Refunding of Gen Rev Ref 2012 - 2004C College Hill	2017B	1.99	10/01/2026	4,814,783	4,571,290
Total Bonds from Direct Placements				20,635,000	16,775,000
Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)				$ 436,670,000	350,950,000
Plus: Unamortized Premium					16,567,637
Less: Unamortized Discount					2,782,963
Total Revenue Bonds Payable and Bonds from Direct Placements, Net					$ 364,734,674

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, 2022
Energy Savings	Banc of America	1.84%	02/14/2023	$ 4,797,969	$ 578,421
Energy Savings	Banc of America	1.84%	02/14/2023	1,345,439	162,200
Facility Improvements	Phillip Healthcare	1.96%	07/14/2023	624,203	193,370
Total Notes from Direct Borrowings				$ 6,767,611	$ 933,991

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2022, are as follows:

	Annual Requirements					
	Revenue Bonds Payable		Bonds from Direct Placements		Notes from Direct Borrowings	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 12,485,000	$ 11,437,517	$ 2,260,000	$ 330,230	$ 841,697	$ 14,841
2024	11,980,000	10,901,215	3,350,000	272,156	92,294	417
2025	12,530,000	10,358,294	2,270,000	213,952	-	-
2026	13,060,000	9,814,312	2,400,000	165,066	-	-
2027	12,390,000	9,320,362	2,450,000	114,253	-	-
2028-2032	74,660,000	38,783,180	4,045,000	134,192	-	-
2033-2037	70,075,000	26,995,209	-	-	-	-
2038-2042	66,005,000	16,758,449	-	-	-	-
2043-2047	56,815,000	5,057,716	-	-	-	-
2048	4,175,000	73,063	-	-	-	-
Total Requirements	$ 334,175,000	$139,499,317	$ 16,775,000	$ 1,229,849	$ 933,991	$ 15,258

E. Debt Authorized but Unissued – On February 25, 2022, the University entered into a forward delivery bond purchase agreement with a bank to refinance the 2013A General Revenue Refunding Bonds for savings on July 12, 2023.

F. 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 Bonds from Direct Placements – The University's outstanding revenue bonds of $334,175,000 and bonds from direct placements of $16,775,000 contain provisions that in an event of a failure to pay in full any payments when due, they become immediately due and payable.

Notes from Direct Borrowings - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for the UNC System Guaranteed Energy Savings Installment Financing Agreement dated September 1, 2014. This agreement also contains provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within thirty days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within thirty 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.

The University has a financed purchase agreement with Phillips Healthcare which contains provisions related to event of default and remedies. Upon the event of failure to pay any amount when due the lender is entitled to recover as part of its damages all costs and expenses including reasonable attorney fees.

G. 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, 2022, the outstanding balance of prior year defeased bonds was $44,730,000.

NOTE 9 - LEASES

The University's leasing arrangements at June 30, 2022 are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable (Liability) June 30, 2022	Current Portion	Lease Terms (1)	Interest Rate Ranges
Lessor:					
Land	1	$ 812,713	$ 20,457	25 Years	2.33%
Buildings	1	690,884	458,226	2.5 Years	0.73%
Total	2	$ 1,503,597	$ 478,683		
Lessee:					
Right-to-Use Buildings	14	$ (29,538,323)	$ (4,499,070)	9.21 Years	0.51% - 1.76%
Right-to-Use Machinery and Equipment	3	(1,680,351)	(498,717)	4.88 Years	0.70% - 1.21%
Total	17	$ (31,218,674)	$ (4,997,787)		

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

A. Lease Receivable - During the year the University did not recognize any variable payment amounts.

B. Lease Liability - During the year the University did not recognize any variable payment amounts.

Future principal and interest lease payments as of June 30, 2022 were as follows:

Fiscal Year	Principal	Interest	Total
2023	$ 4,997,787	$ 399,572	$ 5,397,359
2024	4,234,644	347,542	4,582,186
2025	3,367,385	299,652	3,667,037
2026	3,469,135	254,042	3,723,177
2027	2,880,992	209,516	3,090,508
2028-2032	11,344,768	458,971	11,803,739
2033-2037	923,963	9,528	933,491
Total	$ 31,218,674	$ 1,978,823	$ 33,197,497

C. Sublease - The University has entered into a sublease of a building with a third party which is included in both the University's lease receivable and lease liability for $690,884. The remaining terms for both the original lease and sublease are 30 months.

NOTE 10 - NET POSITION

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (83,657,282)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(853,954,930)
Effect on Unrestricted Net Position	(937,612,212)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	320,476,872
Total Unrestricted Net Position	$ (617,135,340)

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

NOTE 11 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Less Indigent Care and Contractual Adjustments	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 236,207,946	$ 48,797,792	$ 625,259	$ -	$186,784,895
Patient Services, Net	$ 452,638,249	$ -	$ 12,685,225	$ 196,831,051	$243,121,973
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	$ 29,952,733	$ 6,102,307	$ -	$ -	$ 23,850,426
Dining	26,319,159	3,590,379	-	-	22,728,780
Health, Physical Education, and Recreation Services	1,313,696	-	-	-	1,313,696
Bookstore	1,686,913	-	-	-	1,686,913
Parking	3,726,255	-	-	-	3,726,255
Athletic	22,074,915	-	-	-	22,074,915
Other	1,771,466	-	-	-	1,771,466
Sales and Services of Education and Related Activities	8,782,616	-	-	-	8,782,616
Total Sales and Services, Net	$ 95,627,753	$ 9,692,686	$ -	$ -	$ 85,935,067

NOTE 12 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 218,565,097	$ 37,508,129	$ -	$ 89,116	$ -	$ 256,162,342
Research	21,327,025	13,943,702	-	400	-	35,271,127
Public Service	18,856,247	9,142,744	-	24,497	-	28,023,488
Academic Support	19,073,394	16,015,553	-	16,445	-	35,105,392
Student Services	10,740,082	1,751,891	-	-	-	12,491,973
Institutional Support	47,702,069	18,715,744	-	115,501	-	66,533,314
Operations and Maintenance of Plant	23,326,206	25,615,638	-	17,173,572	-	66,115,416
Student Financial Aid	-	-	69,777,378	-	-	69,777,378
Auxiliary Enterprises	183,197,169	96,663,701	-	608,929	-	280,469,799
Depreciation/Amortization	-	-	-	-	41,821,418	41,821,418
Total Operating Expenses	$ 542,787,289	$ 219,357,102	$ 69,777,378	$ 18,028,460	$ 41,821,418	$ 891,771,647

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of $26,548,785 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the University in providing the student awards, the related program activity is reported as nonoperating Federal Aid – COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 11.

NOTE 13 - PENSION PLANS

A. Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. 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, 2022 was 16.38% of covered payroll. Plan members' contributions to the pension plan were $12,611,364 and the University's contributions were $34,429,023 for the year ended June 30, 2022.

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 2021 *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, the 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 2021 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2022, the University reported a liability of $61,996,701 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. 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, 2021, the University's proportion was 1.32398%, which was a decrease of 0.04328 from its proportion measured as of June 30, 2020, which was 1.36726%.

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	12/31/2020
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

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

The actuarial assumptions used in the December 31, 2020 valuations 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, 2021 (the measurement date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2020 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, 2021 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		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$ 207,960,292	$ 61,996,701	$ (593,356,343)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2022, the University recognized pension expense of $15,241,045. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 3,484,914	$ 1,408,013
Changes of Assumptions	23,255,629	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	76,814,685
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	4,607,449
Contributions Subsequent to the Measurement Date	34,429,023	-
Total	$ 61,169,566	$ 82,830,147

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, 2023. 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:

Year Ending June 30:	Amount
2023	$ (9,519,026)
2024	(10,872,811)
2025	(12,139,014)
2026	(23,558,753)
Total	$ (56,089,604)

As of June 30, 2022, the University recognized a current payable of $4,532,803 due to the State Treasurer for TSERS employee and employer contributions.

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 $422,848,709, of which $212,659,312 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $12,759,559 and $14,545,897, respectively. The amount of expense recognized in the current year related to ORP is $14,095,104 which is equal to the employer contributions minus ORP forfeitures of $450,793.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2021 *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 benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2021 *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 eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 15. The plan options change when former employees become eligible for Medicare. 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, the Legislative Retirement System, 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 State Health 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 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The University's contractually-required contribution rate for the year ended June 30, 2022 was 6.29% of covered payroll. The University's contributions to the RHBF were $26,597,184 for the year ended June 30, 2022.

In fiscal year 2021, the State Health Plan (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 RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2022, the University recognized noncapital contributions for RHBF of $4,383,149.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the 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, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2022 was 0.09% of covered payroll. The University's contributions to DIPNC were $380,564 for the year ended June 30, 2022.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2022, the University reported a liability of $724,638,339 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. 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, 2021, the University's proportion was 2.34393%, which was a decrease of 0.08271 from its proportion measured as of June 30, 2020, which was 2.42664%.

Net OPEB Asset: At June 30, 2022, the University reported an asset of $376,175 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The University's proportion of the net OPEB asset 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, 2021, the University's proportion was 2.30302%, which was a decrease of 0.17973 from its proportion measured as of June 30, 2020, which was 2.48275%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2020, 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, 2021 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2020	12/31/2020
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.00%
Healthcare Cost Trend Rate - Medical	6% grading down to 5% by 2026	6% grading down to 5% by 2026
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2030	9.5% grading down to 5% by 2030
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return is net of OPEB plan investment expense, including inflation.
N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled 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 a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return 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, 2021.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2021 (the measurement date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

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 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 earlier in the note, benefits are dependent on membership requirements.

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

The actuarial assumptions used in the December 31, 2020 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 the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 2.16% at June 30, 2021 compared to 2.21% at June 30, 2020. The projection of cash flows 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 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00%. The projection of cash flows 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 projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	Net OPEB Liability (Asset)		
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
RHBF	$ 861,948,591	$ 724,638,339	$ 613,435,241
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	$ (237,510)	$ (376,175)	$ (504,454)

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

	Net OPEB Liability (Asset)		
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	$ 586,836,089	$ 724,638,339	$ 907,449,265
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	$ (395,935)	$ (376,175)	$ (351,556)

OPEB Expense: For the fiscal year ended June 30, 2022, the University recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	$ (43,570,271)
DIPNC	841,911
Total OPEB Expense	$ (42,728,360)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2022, 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:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 4,278,160	$ 959,139	$ 5,237,299
Changes of Assumptions	59,269,177	66,051	59,335,228
Net Difference Between Projected and Actual Earnings on Plan Investments	-	36,710	36,710
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	24,250,202	148,592	24,398,794
Contributions Subsequent to the Measurement Date	26,597,184	380,564	26,977,748
Total	$ 114,394,723	$ 1,591,056	$ 115,985,779

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 13,488,893	$ -	$ 13,488,893
Changes of Assumptions	176,102,865	136,569	176,239,434
Net Difference Between Projected and Actual Earnings on Plan Investments	370,682	-	370,682
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	53,748,874	31,023	53,779,897
Total	$ 243,711,314	$ 167,592	$ 243,878,906

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2023. 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:

Year Ending June 30:	RHBF	DIPNC
2023	$ (102,480,535)	$ 260,882
2024	(25,192,947)	182,533
2025	(11,737,826)	232,416
2026	(19,417,353)	129,242
2027	2,914,886	62,961
Thereafter	-	174,866
Total	$ (155,913,775)	$ 1,042,900

As of June 30, 2022, the University recognized a current payable for RHBF and DIPNC contributions to the State Treasurer of $2,292,238 and $34,966, respectively.

NOTE 15 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The University is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. The only exception to this would be certain properties scheduled for demolition, which are allowed to be covered for demolition and debris removal. Losses covered by the Fund are subject to a $25,000 per occurrence deductible.

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

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $2,000,000 per claim and $5,000,000 in the aggregate per fiscal year via contract with a private insurance company. There is also an Excess Annual Aggregate Policy for an additional $5,000,000 through another private insurance company. The University pays these premiums, based on a composite rate, payable through the North Carolina Association of Insurance Agents.

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 and the State's Agent of Record. The types of policies purchased include: professional liability, midwifery liability, medical malpractice, accident and health, athletic accident and travel, commercial crime and theft, surety bond, student internship liability, youth camps and programs accident, watercraft, oceanographic equipment, leased equipment, boiler and machinery, inland marine property, drones, cyber insurance, fine arts, musical instruments, international students, study abroad students, business travel, and policies as the need for additional coverage arises.

The University (Brody School of Medicine) established a segregated portfolio of self-insurance, identified as Buccaneer Cove, under the Channel Marker Insurance Company, SPC. This claims-made medical malpractice professional liability policy was purchased with the approval by the North Carolina Department of Insurance.

The University (Brody School of Medicine) provides medical malpractice insurance for Brody School of Medicine medical students, faculty physicians, nurse practitioners, physician assistants, certified nurse midwives, and other clinical staff. Each individual faculty physician, physician assistant, nurse practitioner, and certified nurse midwife has coverage of $3,000,000 per occurrence with $5,000,000 annual aggregate coverage. There is a shared blanket policy for all other clinical employees of ECU Physicians with coverage of $3,000,000 per claim and $5,000,000 annual aggregate. The primary layer of medical malpractice insurance includes a $200,000 deductible with an annual aggregate of $1,000,000. There is also a shared, excess policy in the amount of $10,000,000 per occurrence and in aggregate. Both the primary and excess policies of medical malpractice insurance are provided by the Channel Marker Insurance Company, SPC, and purchased with the approval of the North Carolina Department of Insurance.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $5,882,659 and on other purchases were $49,213,169 at June 30, 2022.

B. Pending Litigation and Claims - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

NOTE 17 - RELATED PARTIES

Foundations - There are three separately incorporated nonprofit foundations associated with the University. These foundations are the East Carolina University Educational Foundation, Inc., the East Carolina University Medical and Health Sciences Foundation, Inc., and the East Carolina University Alumni Association, Inc.

These organizations serve 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 approximated $8,977,480 for the year ended

June 30, 2022. The University had receivables from the related parties of $170,331 as of June 30, 2022.

NOTE 18 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2022, the University implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, Leases

GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 19 - NET POSITION RESTATEMENT

As of July 1, 2021, the University implemented GASB Statement No. 87, *Leases*. 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 8 for details on the restated balances related to capital assets and lease liabilities, respectively.

Required Supplementary Information

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

Exhibit D-1

Teachers' and State Employees' Retirement System	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net Pension Liability	1.32398%	1.36726%	1.40030%	1.41399%	1.38227%
Proportionate Share of TSERS Collective Net Pension Liability	$ 61,996,701	$ 165,192,312	$ 145,168,499	$ 140,778,103	$ 109,675,398
Covered Payroll	$ 209,041,007	$ 220,372,744	$ 216,897,740	$ 207,352,661	$ 199,309,636
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	29.66%	74.96%	66.93%	67.89%	55.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.86%	85.98%	87.56%	87.61%	89.51%

	2017	**2016**	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	1.33500%	1.34568%	1.37251%	1.32460%
Proportionate Share of TSERS Collective Net Pension Liability	$ 122,700,291	$ 49,590,972	$ 16,091,595	$ 80,416,718
Covered Payroll	$ 193,108,255	$ 190,483,460	$ 191,033,860	$ 186,582,942
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	63.54%	26.03%	8.42%	43.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

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

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

East Carolina 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	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually Required Contribution	$ 34,429,023	$ 30,896,261	$ 28,582,345	$ 26,656,732	$ 22,352,617
Contributions in Relation to the Contractually Determined Contribution	34,429,023	30,896,261	28,582,345	26,656,732	22,352,617
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 210,189,397	$ 209,041,007	$ 220,372,744	$ 216,897,740	$ 207,352,661
Contributions as a Percentage of Covered Payroll	16.38%	14.78%	12.97%	12.29%	10.78%

	2017	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 19,891,102	$ 17,669,405	$ 17,429,237	$ 16,600,842	$ 15,542,359
Contributions in Relation to the Contractually Determined Contribution	19,891,102	17,669,405	17,429,237	16,600,842	15,542,359
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 199,309,636	$ 193,108,255	$ 190,483,460	$ 191,033,860	$ 186,582,942
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

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

East Carolina 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, 2022

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees'	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Retirement System	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLA's) in the period of the legislative session of Board of Trustees meeting when it was passed. The COLA is effective July 1 of that period and the fiscal year end 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 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.

Methods 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 18 months following the date of the valuation results. See Note 13 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 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 Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality 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 Teachers' and State Employees' Retirement System 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 the most recent available information included in the State of North Carolina’s 2021 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

East Carolina 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 Six Fiscal Years**

Retiree Health Benefit Fund	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net OPEB Liability	2.34393%	2.42664%	2.43634%	2.42398%	2.27894%
Proportionate Share of Collective Net OPEB Liability	$ 724,638,339	$ 673,169,944	$ 770,846,234	$ 690,547,382	$ 747,188,074
Covered Payroll	$ 419,278,004	$ 437,186,008	$ 432,020,151	$ 415,110,052	$ 398,444,199
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	172.83%	153.98%	178.43%	166.35%	187.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.72%	6.92%	4.40%	4.40%	3.52%

	2017
Proportionate Share Percentage of Collective Net OPEB Liability	2.61367%
Proportionate Share of Collective Net OPEB Liability	$ 1,137,035,289
Covered Payroll	$ 384,271,288
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	295.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.41%

Disability Income Plan of North Carolina	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net OPEB Asset	2.30302%	2.48275%	2.50656%	2.52753%	2.45914%
Proportionate Share of Collective Net OPEB Asset	$ 376,175	$ 1,221,364	$ 1,081,581	$ 767,763	$ 1,503,026
Covered Payroll	$ 419,278,004	$ 437,186,008	$ 432,020,151	$ 415,110,052	$ 398,444,199
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.09%	0.28%	0.25%	0.18%	0.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.18%	115.57%	113.00%	108.47%	116.23%

	2017
Proportionate Share Percentage of Collective Net OPEB Asset	2.42370%
Proportionate Share of Collective Net OPEB Asset	$ 1,505,118
Covered Payroll	$ 384,271,288
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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.

East Carolina University
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans ***Exhibit D-4***
Last Ten Fiscal Years

Retiree Health Benefit Fund	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually Required Contribution	$ 26,597,184	$ 28,007,771	$ 28,285,935	$ 27,087,663	$ 25,114,158
Contributions in Relation to the Contractually Determined Contribution	26,597,184	28,007,771	28,285,935	27,087,663	25,114,158
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 422,848,709	$ 419,278,004	$ 437,186,008	$ 432,020,151	$ 415,110,052
Contributions as a Percentage of Covered Payroll	6.29%	6.68%	6.47%	6.27%	6.05%

	2017	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 23,149,608	$ 21,519,192	$ 20,768,826	$ 20,270,787	$ 19,231,505
Contributions in Relation to the Contractually Determined Contribution	23,149,608	21,519,192	20,768,826	20,270,787	19,231,505
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 398,444,199	$ 384,271,288	$ 378,302,835	$ 375,384,941	$ 362,858,587
Contributions as a Percentage of Covered Payroll	5.81%	5.60%	5.49%	5.40%	5.30%

East Carolina University
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans — *Exhibit D-4*
Last Ten Fiscal Years — *Page 2 of 2*

Disability Income Plan of North Carolina	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually Required Contribution	$ 380,564	$ 377,350	$ 437,186	$ 604,828	$ 581,154
Contributions in Relation to the Contractually Determined Contribution	380,564	377,350	437,186	604,828	581,154
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 422,848,709	$ 419,278,004	$ 437,186,008	$ 432,020,151	$ 415,110,052
Contributions as a Percentage of Covered Payroll	0.09%	0.09%	0.10%	0.14%	0.14%

	2017	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 1,514,088	$ 1,575,512	$ 1,551,042	$ 1,651,694	$ 1,596,578
Contributions in Relation to the Contractually Determined Contribution	1,514,088	1,575,512	1,551,042	1,651,694	1,596,578
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 398,444,199	$ 384,271,288	$ 378,302,835	$ 375,384,941	$ 362,858,587
Contributions as a Percentage of Covered Payroll	0.38%	0.41%	0.41%	0.44%	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.

East Carolina 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, 2022

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.

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months 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 14 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: 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 Teachers' and State Employees' Retirement System 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.

Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBF was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. In 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset 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 most recent available information included in the State of North Carolina’s 2021 *Annual Comprehensive Financial Report* .

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

Board of Trustees
East Carolina University
Greenville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of East Carolina 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 unit, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 14, 2022. Our report includes a reference to other auditors who audited the financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliates, as described in our report on the University's financial statements. The financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliates were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with East Carolina University Foundation, Inc. and Consolidated Affiliates.

<u>Internal Control Over Financial Reporting</u>

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

Purpose of this Report

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 14, 2022

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This audit required 900 hours at an approximate cost of $108,000.