Appalachian State University

Boone, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2024

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

UNBIASED. IMPACTFUL. IRREFUTABLE.

A Department of the State of North Carolina

NCOSA Office of the State Auditor

North Carolina Office of the State Auditor
Jessica N. Holmes, J.D., State Auditor

Auditor's Transmittal

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

We have completed a financial statement audit of Appalachian State University for the year ended June 30, 2024, 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.

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

Table of Contents

Independent Auditor's Report

North Carolina Office of the State Auditor
Jessica N. Holmes, J.D., State Auditor

Independent Auditor's Report

Board of Trustees
Appalachian State University
Boone, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Appalachian State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of Appalachian State University, as of June 30, 2024, and the changes in financial position and 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 Appalachian State University Foundation, Inc., which represent 15.88 percent and 8.06 percent, respectively, of the assets and revenues of the University; nor the financial statements of Appalachian Real Estate Development Corporation, which represent 6.21 percent and 0.92 percent, respectively, of the assets and revenues of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

Basis for Opinion

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 Appalachian State University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 opinion. 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 December 16, 2024 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.

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

December 16, 2024

Management's Discussion and Analysis

Introduction

Appalachian State University (University) presents a comparative overview of significant changes occurring during the fiscal year ended June 30, 2024. This management discussion and analysis (MD&A), prepared by management, is to be read alongside the accompanying financial statements and notes to the financial statements.

Although they are separate legal entities, financial information from the Appalachian State University Foundation Inc. (Foundation) and the Appalachian Real Estate Development Corporation (Corporation – formally the Appalachian Student Housing Corporation) is blended with the University's financial statements for reporting purposes. The results of activities occurring throughout the year will be presented as if the Foundation and the Corporation are part of the University's operations. Financial information is combined in the comparative Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position for the purposes of discussion and analysis.

Effective November 1, 2023, the Board of Directors of the Appalachian Student Housing Corporation (ASHC) passed a resolution to restate the articles of incorporation of ASCH to change the name of the entity to Appalachian Real Estate Development Corporation (Corporation). The resolution also expanded the purpose of the Corporation from a focus primarily on developing, owning, and operating residential housing facilities for students and University employees; to acquiring, owning, developing, leasing, financing, managing, operating, selling, and transferring real property for the benefit of the University, its programs, faculty, and staff. These changes did not change the blending of the Corporation with the University's financial statements.

The financial statements and accompanying notes following the MD&A are presented in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). These statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The notes to the financial statements provide important information for understanding the University's ending net position and activities that occurred during the year.

Financial Highlights

During fiscal year 2024, the University experienced continued growth in infrastructure to support the future needs of students at both the Boone and Hickory Campus. Several major capital projects are in progress to renovate and expand existing academic buildings. The State supports these projects through funding from the State Capital Infrastructure Fund (SCIF). Additionally, public universities in North Carolina enjoy strong operating support through the budgeting and appropriations process. This capital and operating support demonstrates the State's commitment to investing in higher education.

Enrollment increases have remained steady resulting in additional operating revenues. The University saw modest increases in tuition and fee revenues while also keeping tuition rates for resident in-state undergraduate students flat for the past several years.

Investment earnings realized during the year supported this growth. Balances in both University and Foundation funds enjoyed the benefits of strong market performance for funds invested with UNC Management Company and the State Treasurer's Short-Term Investment Fund (STIF).

The following MD&A provides additional details regarding these highlights along with other notable changes to provide an overview of the University's financial performance for the past year.

Adoption of New Accounting Standards and Guidance

Effective for fiscal year 2024 is GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62.* For fiscal year 2024, the University restated beginning net position to correct a prior year error in prepaid assets, which increased net position by $334.4 thousand.

Also effective in fiscal year 2024 is GASB Implementation Guide 2021-1. Implementation guides are authoritative and if applicable to the University's transactions are required to be evaluated and incorporated into the financial statements for reporting purposes. Section 5.1 of the guide provides clarification on when the University should capitalize assets that are below the single-item capitalization threshold of $5,000. This situation occurs when assets are purchased in a group or around the same time with a similar use objective. The UNC System developed a tool that allowed the University to evaluate these types of asset purchases in prior years and the current year. By following the updated implementation guide, the University restated the 2024 beginning balance to recognize $24.5 million in assets with a book value of $16.0 million from prior years. Additionally, the tool allowed the University to evaluate grouped purchases for capitalization in the current year.

Additional information regarding these new standards and guidance, along with details of the restatements, can be found in the notes to the financial statements (Notes 19 and 20).

Condensed Statement of Net Position

The Statement of Net Position on the following page presents:

- **Assets** - Resources owned or owed to the University
- **Deferred Outflows of Resources** - Represent the utilization of net position related to a future reporting period(s).
- **Liabilities** - Obligations the University owes or resources that have been received before services have been provided.
- **Deferred Inflows of Resources** - Represent the accumulation of net position related to a future reporting period(s).
- **Net Position** - The remaining balance of assets and deferred outflows less liabilities and deferred Inflows.

This statement, on the following page, is like a balance sheet and shows the University's financial position at the fiscal year ending on June 30. Account balances for fiscal year 2023 have been restated to correct a prior period error, but in accordance with GASB Statement No. 100, they are not restated for the change in accounting principle discussed above. See Notes 19 and 20 for additional information.

Condensed Statement of Net Position

	Fiscal Year 2024	Fiscal Year 2023 (as Restated)	$ Change	Percent Change
Assets				
Current Assets	$ 245,263,290	$ 233,189,296	$ 12,073,994	5.2%
Capital Assets, Net	957,494,494	906,664,720	50,829,774	5.6%
Other Noncurrent Assets	309,450,006	275,231,509	34,218,497	12.4%
Total Assets	1,512,207,790	1,415,085,525	97,122,265	6.9%
Deferred Outflows of Resources	154,080,290	118,409,961	35,670,329	30.1%
Liabilities				
Current Liabilities	68,598,085	64,838,512	3,759,573	5.8%
Long-Term Liabilities, Net	758,646,852	702,075,530	56,571,322	8.1%
Other Noncurrent Liabilities	7,087,849	4,323,884	2,763,965	63.9%
Total Liabilities	834,332,786	771,237,926	63,094,860	8.2%
Deferred Inflows of Resources	182,909,458	220,628,659	(37,719,201)	-17.1%
Net Position				
Net Investment in Capital Assets	519,578,351	470,713,508	48,864,843	10.4%
Restricted - Nonexpendable	122,189,273	113,807,357	8,381,916	7.4%
Restricted - Expendable	192,899,155	156,111,627	36,787,528	23.6%
Unrestricted	(185,620,943)	(199,003,591)	13,382,648	6.7%
Total Net Position	$ 649,045,836	$ 541,628,901	$ 107,416,935	19.8%

Total Assets

Assets are financial resources that increase net position. They represent resources that will be converted to cash, consumed, or needed to meet obligations and make payments as they become due.

Total assets increased by $97.1 million during the current fiscal year representing a 6.9% increase. Other noncurrent assets increased by 12.4% or a total of $34.2 million. This was primarily the result of a $25.1 million combined increase in investments held by the University and Foundation resulting from strong performance in funds invested with the UNC Investment Fund. Investment returns were up 12.6% for the fiscal year primarily based on the performance of assets held in long/short equity funds and private equity funds. The fund outperformed its benchmark index, the Strategic Investment Policy Portfolio (SIPP), by 4%.

Noncurrent restricted cash balances also increased by $8.5 million mostly due to the receipt of additional funds from the State Construction and Infrastructure Fund (SCIF). The table below shows the amount of additional SCIF funding received for major projects and the remaining cash balance on June 30, 2024.

Table 1.0

Project	2023 Funding	2024 Funding	Remaining Balance
Innovation Campus	$7,000,000	$18,000,000	$5,485,715
Wey Hall Renovation	$1,830,000	$10,245,000	$4,448,664
Duncan Hall Renovation	$2,000,000	$4,692,000	$3,893,608

Capital asset balances increased by $50.8 million due to the restatement described above and ongoing capital projects that are described in detail in the Capital Assets and Debt Administration section of the MD&A.

Deferred Outflows of Resources

Deferred outflows of resources represent the use of the University's net position that will be recognized in a future reporting period. Although these deferred outflows increase net position, they are not currently available to meet the University's obligations.

Deferred outflow balances increased by 30.1% during fiscal year 2024. Most of this $35.7 million increase was related to the University's participation in the Teachers' and State Employees' Retirement System (Pension) and other postemployment benefit (OPEB) plans. In both cases, these changes reflect the difference between the actuarial valuations used when calculating the plans' obligations and funding requirements versus the real-world outcomes of the plans. See Notes 14 and 15 for detailed information regarding deferred outflows of resources related to pensions and OPEB, respectively.

Total Liabilities

Liabilities are obligations of financial resources (assets) that the University has no ability to avoid paying when they become due. Liabilities have a negative effect on net position.

For the fiscal year ended June 30, 2024, total liabilities increased by $63.1 million representing an 8.2% increase. Most of this increase is related to changes in long-term liability balances, which increased by $56.6 million. This is primarily related to a $42.1 million increase in the net OPEB liability and a $23.4 million increase in the net pension liability. Increases in liabilities related to pension and OPEB plans are related to the cumulative effect of changes in deferred outflows, deferred inflows, OPEB and pension expenses, and the University's required contributions recognized during the current year.

Other noncurrent liabilities also increased by $2.8 million. This increase is mostly related to the acquisition of information technology equipment for a major infrastructure improvement project which has an outstanding payable balance at year end. These payables totaled $3.6 million, $2.9 million of which is due after the 2025 fiscal year.

Deferred Inflows of Resources

Deferred inflows of resources represent inflows of resources that have already occurred and are applicable to future periods. Like a liability, they have a negative effect on net position but do not represent obligations of the University's financial resources.

For the current year deferred inflows of resources decreased by $37.7 million. This was driven by a $35.6 million decrease related to the OPEB plans. Similar to changes in deferred outflows of resources related to OPEB, deferred inflow variations are the result of the difference between actuarial assumptions made to estimate the plan's obligations and funding requirements and the real-world outcomes. See Notes 14 and 15 for detailed information regarding deferred inflows of resources related to pensions and OPEB, respectively.

Net Position

Net position consists of net investment in capital assets, restricted nonexpendable, restricted expendable, and unrestricted net position. It represents the difference between the University's assets and deferred outflows of resources from liabilities and deferred inflows of resources that equate to an ending fund balance for the fiscal year. These fund balances represent resources, net of claims or obligations, such as cash and cash equivalents, receivables, inventories, and investments in addition to other fund balances with little to no liquidity, meaning they are not easily convertible to cash, such as capital assets and permanent endowment gifts. See Note 1N for additional information about the University's net position classifications.

Net investment in capital assets increased 10.4% over the prior year. Most of the $48.9 million increase was related to increases in construction in progress funded by the SCIF and other funds budgeted for capital improvements, as well as the restatement for grouped assets.

Restricted nonexpendable net position consists of loan funds and endowment gifts with specific restrictions on spending the principal balance. Most of the fund balance increase of $8.4 million was a result of increased contributions and investment holdings in the Foundation.

Restricted expendable net position is the net amount of assets, deferred outflows, liabilities, and deferred inflows that are restricted for use or a specific purpose. Restricted expendable balances for capital projects increased by $19.2 million related to funds received for the Innovation Campus, Wey Hall, Duncan Hall, and other capital projects as discussed in the total assets section above. Other restricted expendable balances increase by $17.6 million primarily because of strong investment returns in the University and Foundation's holdings.

Unrestricted net position is the remaining balance of assets plus deferred outflows less liabilities and deferred inflows that are not classified as net investment in capital assets or restricted. Unrestricted net position is presented as a negative balance due to the University's proportionate share in the State's pension and other postemployment benefits plans. The greatest factor impacting unrestricted net position resulted from changes in the pension and OPEB plans' deferred outflows, deferred inflows, and liabilities totaling $7.2 million. This change makes up 54.3% of the total increase in unrestricted net position. Other significant changes include a $4.6 million increase in interest from the State Treasurer's Short-Term Investment Fund (STIF), driven by higher interest rates. Additionally, enrollment growth and the inclusion of existing fees in summer term billings increased student fee balances by $2.9 million. As the focus on research continues to grow, the collection of research-related overhead receipts balances also grew by $2.9 million.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position (condensed, comparative table presented below) presents the University's revenues earned and expenses incurred throughout the fiscal year. The change in net position from year-to-year is an indicator of the financial condition of the institution.

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

	Fiscal Year 2024	Fiscal Year 2023 (As Restated)	$ Change	Percent Change
Operating Revenues				
Tuition and Fees, Net	$ 157,478,269	$ 140,837,897	$ 16,640,372	11.8%
Grants and Contracts	14,261,591	15,182,238	(920,647)	-6.1%
Sales and Services, Net	131,025,545	122,089,345	8,936,200	7.3%
Other Operating Revenues	3,957,075	3,435,100	521,975	15.2%
Total Operating Revenues	306,722,480	281,544,580	25,177,900	8.9%
Operating Expenses				
Salaries and Benefits	351,768,776	285,229,903	66,538,873	23.3%
Supplies, Services, and Utilities	153,705,702	152,213,389	1,492,313	1.0%
Scholarships and Fellowships	26,935,460	26,871,337	64,123	0.2%
Depreciation / Amortization	38,683,027	33,871,849	4,811,178	14.2%
Total Operating Expenses	571,092,965	498,186,478	72,906,487	14.6%
Operating Loss	(264,370,485)	(216,641,898)	(47,728,587)	22.0%
Nonoperating Revenues (Expenses)				
State Appropriations	201,805,226	187,163,788	14,641,438	7.8%
Student Financial Aid	43,703,008	43,449,802	253,206	0.6%
Federal Aid - COVID-19	-	1,013,346	(1,013,346)	-100.0%
Noncapital Contributions	40,138,011	37,181,810	2,956,201	8.0%
Investment Income, Net	33,492,749	4,465,018	29,027,731	650.1%
Interst and Fees on Debt	(10,902,026)	(10,649,509)	(252,517)	2.4%
Other Nonoperating Revenues	542,235	627,094	(84,859)	-13.5%
Net Nonoperating Revenues	308,779,203	263,251,349	45,527,854	17.3%
Income Before Other Revenues	44,408,718	46,609,451	(2,200,733)	-4.7%
Capital Contributions	38,907,471	20,485,647	18,421,824	89.9%
Additions to Endowments	8,057,077	7,524,721	532,356	7.1%
Total Other Revenues	46,964,548	28,010,368	18,954,180	67.7%
Increase in Net Position	91,373,266	74,619,819	16,753,447	22.5%
Net Position				
Net Position at Beginning of Year	557,672,570	466,675,687	90,996,883	19.5%
Restatements - Change in Accounting Principal (Note 20)		16,377,064	(16,377,064)	
Net Position at End of Year	$ 649,045,836	$ 557,672,570	$ 91,373,266	16.4%
Reconciliation of Increase in Net Position				
Total Revenues	$ 673,368,257	$ 583,455,806	$ 89,912,451	15.4%
Less: Total Expenses	581,994,991	508,835,987	73,159,004	14.4%
Increase in Net Position	$ 91,373,266	$ 74,619,819	$ 16,753,447	22.5%

Total Revenues

Total revenues grew by 15.4% over the prior year translating to a $89.9 million increase. Increases in operating revenues are mostly attributable to student tuition and fees and sales and services, which contributed $16.6 million and $8.9 million, respectively. Increases in nonoperating revenues include an increase in state appropriations totaling $14.6 million, and most significant, a $29.0 million increase in net investment earnings. Other significant changes in revenues occurred in capital grant funding, which increased by $18.4 million.

Tuition for resident in-state undergraduate students remained fixed for the 2023-2024 academic year. Growth in in-state tuition can be attributed to continued enrollment growth and a $212 increase in in-state graduate student rates. Nonresident tuition rates also increased by $496, which contributed to increased revenues. Student fee revenue increases were also affected by enrollment growth and contributed $6.9 million in new revenues.

Sales and services related to the University's auxiliary operations added to revenue growth in 2024. Most of these enterprises support students and benefit from enrollment growth. Dining services revenues increased by $4.5 million, housing and residential life increased by $1.5 million, student activities increased by $2.5 million, and parking and transportation increased by $1.3 million. The University also recognized increased revenues in operations for New River Light & Power totaling $1.3 million because of approved electric utility rate increases. While rates in the utility have increased customers still enjoy one of the lowest rate structures in the State.

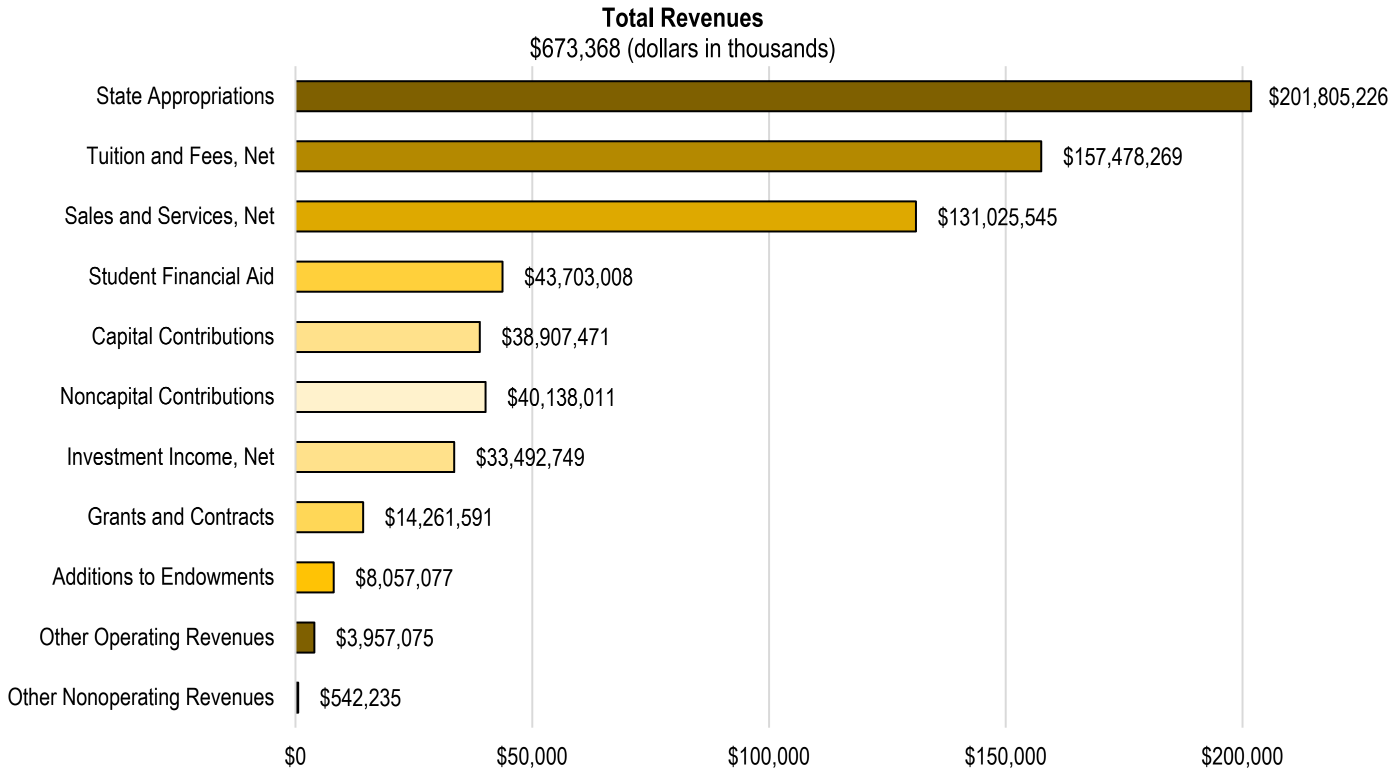
State appropriations totaling $201.8 million reflect strong State support and additional receipts helped fund legislative increases for salaries and enrollment growth. Additional funds were also provided from interest earned on remaining pandemic funds available to the State.

The most significant increase in nonoperating revenues resulted from strong investment earnings for holdings in both University and Foundation accounts. The University recognized $5.9 million in realized and unrealized gains, while the Foundation's earnings topped $18.8 million. The University also earned an additional $3.2 million from cash held in the State Treasurer's Short Term Investment Fund (STIF).

Lastly, the University received additional funding from the State Capital Infrastructure Fund (SCIF) for major capital projects currently under construction. Additional SCIF funding was received for Wey Hall, $8.4 million; Duncan Hall, $2.7 million; and the University's Innovation Campus totaling $11.0 million.

The chart on the following page presents total revenues by source and is helpful in understanding how the State of North Carolina and the University approach funding public higher education.

Chart 1.0 Total Revenues



Total Expenses

While total revenues of $673.4 million reflected a $89.9 million increase, total expenses grew at a lesser rate equating to a $73.2 million increase with expenses totaling $582.0 million. Much of the increase in expenses is related to a significant increase in salaries and benefits expenses of $66.5 million followed by a 14.2% increase in depreciation and amortization expenses on capital assets totaling $4.8 million. Expenses related to supplies, services and utilities as well as expenses for scholarships and fellowships remained relatively flat increasing by 1.0% and 0.2%, respectively, resulting in a combined increase of $1.6 million.

Most employee salaries were affected by a 4% legislative increase approved by the General Assembly. In addition, other positions in the University were provided market rate adjustments. These additions equated to a $19.0 million increase in salaries. Most of this increase was concentrated in areas core to the academic mission of the University. Activities associated with instruction, research, academic support, student services, and public service gained $14.1 million over the prior year.

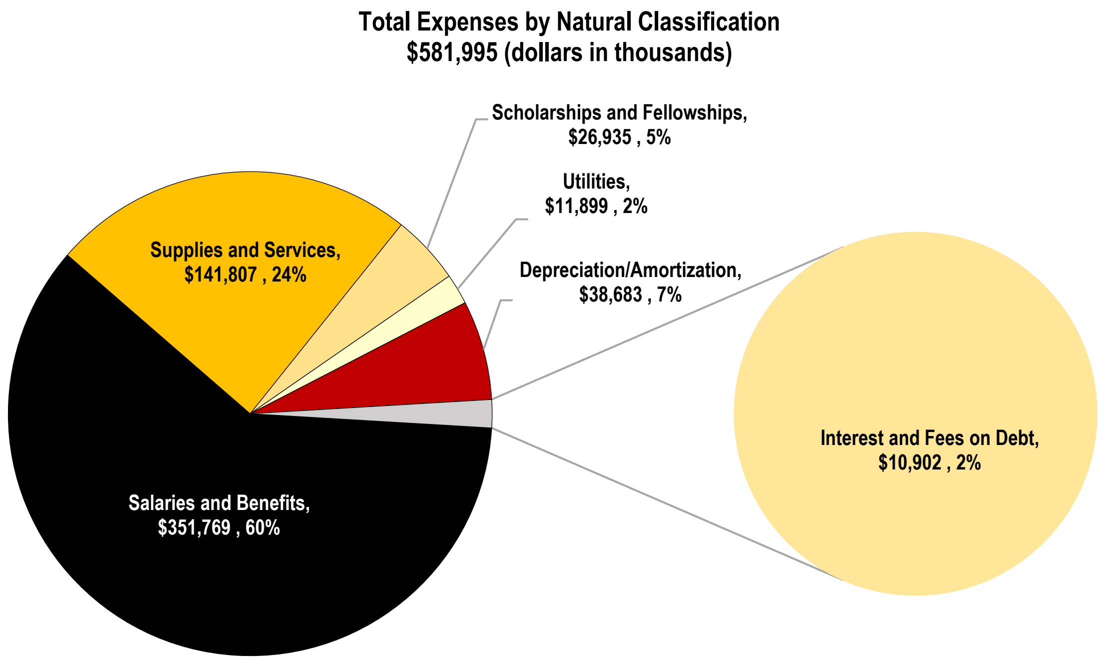
Employee benefits experienced the largest increase and is mostly related to a $44.9 million increase in pension and OPEB expenses recognized for the University's participation in the State's TSERS and OPEB plans. Changes in each plans' liability, deferred outflows, and deferred inflows can affect the amount of pension/OPEB expense recognized each year. See Notes 14 and 15 for further details.

Other changes that are associated with increased salaries occurred in the University's share of federal employment taxes. Social security and Medicare expenditures increased by a total of $3.3 million, representing a 6% increase.

Depreciation and amortization expenses were largely affected by capitalizing additional machinery and equipment assets as grouped assets. As discussed previously, the University adopted new guidance from the GASB requiring assets that normally would fall below the individual asset threshold for capitalization to be grouped and capitalized if purchased at or near the same time for a similar purpose. As a result, depreciation expenses for machinery and equipment increased by $4.2 million mostly related to these grouped assets.

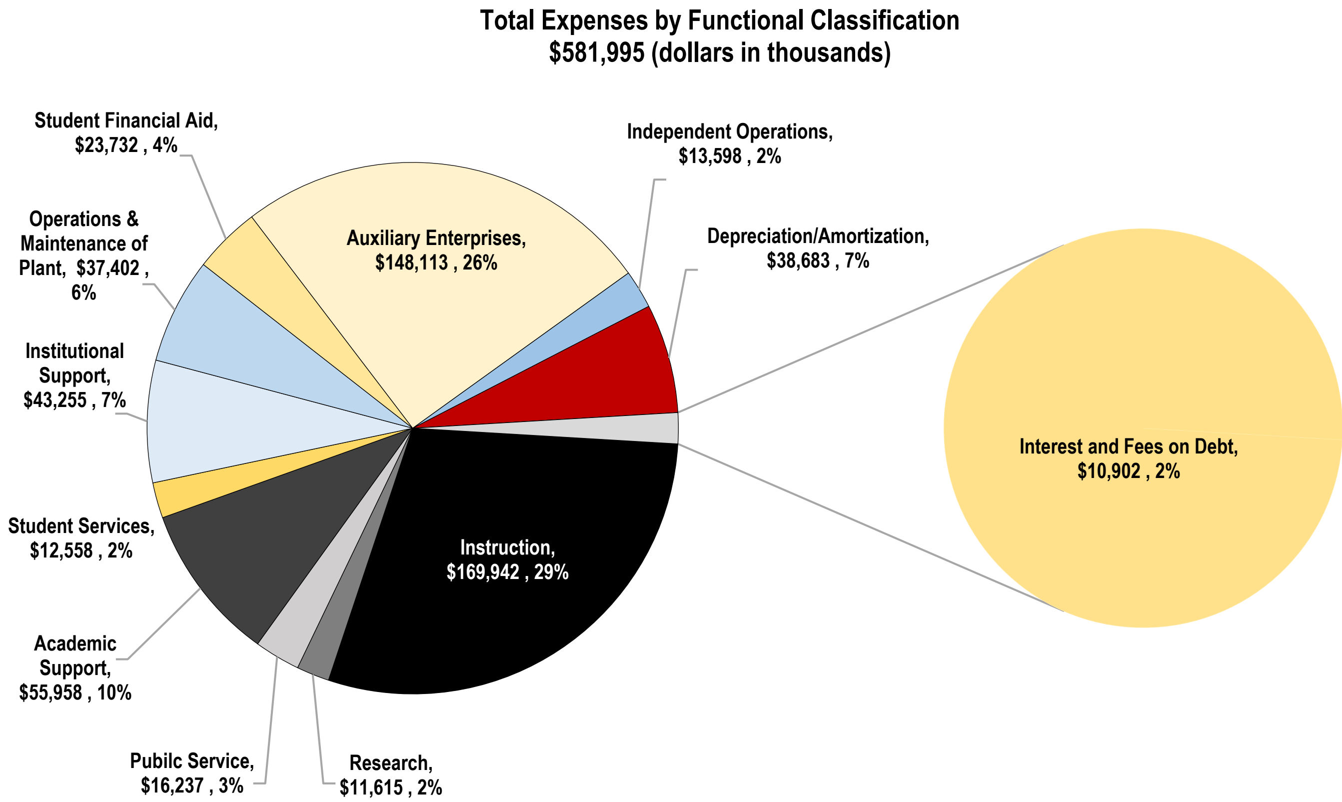
For further analysis, it can be helpful to view expenses by their natural classification as displayed on the financial statements and their functional classification as presented in the notes to the financial statements. The chart below shows expenses by natural classification. Viewing expenses in this manner demonstrates what types of expenses the University dedicates most of its resources towards. Universities rely heavily on salaries and benefits, and these costs comprise 60.0% of total expenses.

Chart 2.0



The chart on the following page shows the amount and percent of expenses by function. Reviewing expenses by these groupings presents expenses by major program or purpose. Viewing expenses in this manner reveals that most expenses are dedicated to the teaching, academic, and student support functions of the University including auxiliary enterprises that are primarily focused on providing services to students and campus.

Chart 2.1



Capital Assets and Debt Administration

Much of the activity related to capital assets resulted from continued construction projects currently in progress. New construction in progress totaling $54.5 million was added to nondepreciable asset balances during the fiscal year. Significant additions include $16.5 million for a new parking deck at the Holmes Convocation Center, $8.6 million in costs related to the Innovation Campus, $5.8 million for Wey Hall, and $4.8 million for track, tennis, and softball facilities. Of this amount, $4.9 million was transferred out of construction in progress as assets were completed and placed into service. The most notable amounts came from the completion of a new roofing system at the Hickory campus totaling $2.6 million, which will increase the service potential of the building, and $1.8 million in equipment and utility infrastructure for New River Light & Power.

Balances associated with capital debt from bonds and notes payable decreased over the prior year by $9.3 million. This reduction was associated with the retirement of obligations through the scheduled amortization and debt service payments. This activity was offset by new debt acquired for University and Foundation supported projects.

In September of 2023, the University issued Series 2023 General Revenue bonds for the construction of indoor tennis facilities at the University's App 105 property. This project is phase III of a larger athletics facility project to construct and relocate track and field, softball, and tennis facilities. The bonds were issued with a par amount of $10.1 million with proceeds available for construction and issuance costs. The bonds have an average interest rate of 4.01% and will reach final maturity in October of 2048. Debt service for this issuance will be paid by existing athletic facility debt service fees.

The Foundation acquired new debt from a note payable for phase II of the App 105 athletics facilities project to relocate the University's softball facilities. As of June 30, 2024, the Foundation has drawn $4.2 million for construction costs. This debt is collateralized by the Foundation and donor assets. Proceeds are transferred to the University as support. The assets are owned and managed by the University. Capital debt held by the Foundation and associated with University capital asset balances are included in the net investment in capital asset balances of net position.

See Note 9 for additional details related to the University's debt holdings.

Economic Outlook

Student enrollment continues to drive the University in a positive direction. Expansion of programs in new markets helps offset the challenges many universities face with the changing demographics that reflect a decline in the population of future high school graduates. In the coming years, universities will be competing for a smaller number of college-bound students. To mitigate this risk the University continues to diversify its offerings through the expansion of its Hickory campus, which hosted classes for the first time in the fall of 2023, in addition to enhancing its online offerings in partnership with Project Kitty Hawk (PKH) authorized and funded by the General Assembly to provide education and degree programs focused on adult learners. Enrollment for fall of 2024 continues the trend of steady growth for the institution. While the total headcount for the Boone campus dipped from 18,951 for fall 2023 to 18,601 in 2024, gains made in Hickory enrollment are up to 462 from 264 and online programs are up to 2,517 from 2,038.

The University continues to refine and expand programs and services offered in Hickory as investment in the academic facilities continues to be completed. Additionally, the University is offering two new App State Online (ASO) undergraduate programs in collaboration with PKH in healthcare management and supply chain management. Three additional ASO programs are being developed for accounting, criminal justice, and organizational leadership and learning for the spring of 2025[1].

Expansion into new markets and offerings is not the only strategy the University is taking to remain competitive in the future. Significant investment in infrastructure on the Boone campus is currently underway. The following sample of projects demonstrates the investment the University and the State are making to better serve the students and citizens of North Carolina.

- Wey Hall – This academic building houses the Department of Art and is undergoing a complete interior and exterior renovation. It will modernize and expand the building increasing teaching, studio, and display space. It is scheduled to be completed in the Spring of 2025 and has a total budget of $24.1 million supported by capital grants from the State.
- Peacock Hall – This project includes renovation and an addition to the building that is home to the Walker College of Business. Scheduled for completion for the fall 2025 term, it will provide for modernization and expansion of teaching and academic facilities. The University was approved for $25.0 million in legislative support in the 2021-2022 budget and an additional $15.0 million in support in the 2023-2024 budget. The University expects to raise $5.0 million to contribute toward the project.
- Duncan Hall – Built in 1965, Duncan Hall will be completely renovated with the goal of improving the use of academic space to meet future programming needs of App State students. Construction is underway and is scheduled to be completed in the summer of

[1] Appalachian State University. "App State Sets New Enrollment Record for Fall 2024." *Appalachian Today*, September 6, 2024, https://today.appstate.edu/2024/09/06/enrollment.

2025. The University has been approved to receive $26.8 million in state funding for the renovation. Funding of $21.0 million was approved in the 2021-2022 budget and an additional $6.0 million was approved in the 2023-2024 budget.

- Innovation Campus – App State's innovation campus will be home to a new academic building for science and technology in addition to a faculty/staff housing project and an energy system designed to provide utilities to the projects. The academic building has been approved to receive $54.0 million from the State. The faculty/staff housing and energy systems are being funded through a public-private partnership.

In addition to investments in capital infrastructure, much of the success of public universities in North Carolina is derived from robust operating support from the State. Looking forward to fiscal year 2025 the University expects this trend to continue.

The table below provides information about the projected 2024-2025 budget.

Table 2.0

2024-25 General Fund Budget

	Appropriations	Budgeted Receipts	Total General Fund Budget
Base Budget	$ 198,259,386	$ 142,559,174	$ 340,818,560
FY25 Employee Benefit Adjustments	1,730,451	-	1,730,451
FY25 Legislative Salary Increase	7,091,445	-	7,091,445
UNC Enrollment Growth Allocation	2,453,048	-	2,453,048
Heathcare Workforce Program Expansion	-	2,194,210	2,194,210
Tuition Receipts Increase	-	2,891,068	2,891,068
Lab School Funding	-	4,251,767	4,251,767
Federal Work Study Match Allocation	105,000	-	105,000
UNC Campus Scholarship Funding	77,760	-	77,760
SBTDC Allocation (from NCSU)	72,545	-	72,545
UNC Teacher Recruitment Funding	67,386	-	67,386
UNC New Teacher Support Program	144,000	-	144,000
Other Appropriations/Receipts	12,671,127	1,250,000	13,921,127
Total Additions	**24,412,762**	**10,587,045**	**34,999,807**
Total Projected Budget	**$ 222,672,148**	**$ 153,146,219**	**$ 375,818,367**

The performance of the University's blended component units helps determine the outlook for the institution. Support from the Foundation is expected to remain at levels consistent with what was experienced during fiscal year 2024. Annual and major gifts continue to provide needed support to supplement state and institutional funds. Similar expectations remain in place for the Corporation. Housing facilities owned by the Corporation have maintained high occupancy rates generating additional operating cash flows. These resources can be redeployed to provide additional support to university initiatives well into the future.

For fiscal year 2024, the University disclosed two subsequent events that occurred after year end but before issuance of this report.

On September 27, 2024, Hurricane Helene struck the North Carolina high country, bringing heavy rain, wind, and flooding that caused catastrophic damage to the Town of Boone, Watauga County, and the surrounding community. At App State, the most significant damage was confined to four buildings. Walker Hall and Rankin Hall, both academic buildings, suffered damage to their mechanical rooms and chiller units. Varsity Gym and the academic wing of the Holmes Convocation Center experienced flooring and other interior infrastructure damage due to flooding.

The University is actively assessing the full extent of the damage and associated costs, with the current estimated financial impact at approximately $8.4 million. Fortunately, leadership expects that these losses will be largely covered by insurance proceeds and federal assistance through the Federal Emergency Management Agency (FEMA).

The University also faced a temporary disruption in services, closing to students and most faculty and staff from the day of the storm until in-person classes resumed on October 16th. During the closure, the University opened its dining halls to provide meals to the community, housed a Red Cross shelter, and established a recovery resource center. This center offered guidance and financial assistance, funded by private donations, to faculty, staff, and students who suffered losses during the storm. The impact of the storm on the University is not expected to have long-term financial repercussions or negatively affect operations. Compared to the broader region, the damage sustained by the University is manageable, and remediation efforts on campus have already begun.

On December 12, 2024, the University issued Series 2024 Millennial Campus Revenue Bonds for the construction of an athletics indoor practice facility. The term of the bonds is 10 years with a 3.45% interest rate and average coupon rate of 5.0%. The project is budgeted for $25.0 million and funded by $17.5 million in bond proceeds with a $1.9 million premium, and a $6.0 million contribution from the University's institutional funds. The new facility will replace an existing building with a 100-yard practice field allowing for better utilization and additional capacity to support the University's athletic and student programs.

Additional information on these subsequent events can be found in Note 21 to the financial statements.

Financial Statements

Appalachian State University
Statement of Net Position **_Exhibit A-1_**
June 30, 2024

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 162,291,734
Restricted Cash and Cash Equivalents	42,277,264
Receivables, Net (Note 5)	24,852,607
Inventories	6,387,306
Notes Receivable (Note 5)	172,648
Leases Receivable (Note 10)	376,681
Other Assets	8,905,050
Total Current Assets	245,263,290
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	62,749,028
Receivables (Note 5)	18,604,143
Endowment Investments	186,987,282
Restricted Investments	24,879,975
Other Investments	9,486,885
Notes Receivable, Net (Note 5)	289,307
Leases Receivable (Note 10)	3,989,364
Beneficial Interest in Assets Held by Others	1,855,830
Other Noncurrent Assets	608,192
Capital Assets - Nondepreciable (Note 6)	132,173,036
Capital Assets - Depreciable, Net (Note 6)	825,321,458
Total Noncurrent Assets	1,266,944,500
Total Assets	1,512,207,790
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	6,377,696
Deferred Outflows Related to Pensions	78,152,295
Deferred Outflows Related to Other Postemployment Benefits (Note 15)	69,550,299
Total Deferred Outflows of Resources	154,080,290
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 8)	17,770,432
Deposits Payable	223,595
Funds Held for Others	699,622
Unearned Revenue	18,620,453
Interest Payable	2,395,272
Long-Term Liabilities - Current Portion (Note 9)	28,888,711
Total Current Liabilities	68,598,085

Noncurrent Liabilities:	
Accounts Payable and Accrued Liabilities	3,115,147
Deposits Payable	271,454
Funds Held for Others	3,110,727
U.S. Government Grants Refundable	590,521
Long-Term Liabilities, Net (Note 9)	758,646,852
Total Noncurrent Liabilities	765,734,701
Total Liabilities	834,332,786
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Under Public-Private Partnerships (Note 7)	94,231,745
Deferred Inflows for Irrevocable Split-Interest Agreements	781,627
Deferred Inflows for Trusts Held by Others	3,472,452
Deferred Inflows Related to Pensions	1,418,736
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	78,813,111
Deferred Inflows for Leases	4,191,787
Total Deferred Inflows of Resources	182,909,458
NET POSITION	
Net Investment in Capital Assets	519,578,351
Restricted:	
Nonexpendable:	
True Endowments	121,805,068
Student Loans and Other	384,205
Total Restricted-Nonexpendable Net Position	122,189,273
Expendable:	
Scholarships, Research, Instruction, and Other	147,945,872
Debt Service	44,953,283
Total Restricted-Expendable Net Position	192,899,155
Unrestricted	(185,620,943)
Total Net Position	$ 649,045,836

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

Appalachian State University
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2024 — *Exhibit A-2*

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 12)	$ 157,478,269
Federal Grants and Contracts	6,969,310
State and Local Grants and Contracts	4,329,670
Nongovernmental Grants and Contracts	2,962,611
Sales and Services, Net (Note 12)	131,025,545
Interest Earnings on Loans	24,737
Other Operating Revenues	3,932,338
Total Operating Revenues	306,722,480
OPERATING EXPENSES	
Salaries and Benefits	351,768,776
Supplies and Services	141,806,997
Scholarships and Fellowships	26,935,460
Utilities	11,898,705
Depreciation/Amortization	38,683,027
Total Operating Expenses	571,092,965
Operating Loss	(264,370,485)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	201,805,226
Student Financial Aid	43,703,008
Noncapital Contributions	40,138,011
Investment Income (Net of Investment Expense of $565,563)	33,492,749
Interest and Fees on Debt	(10,902,026)
Other Nonoperating Revenues	542,235
Net Nonoperating Revenues	308,779,203
Income Before Other Revenues	44,408,718
Capital Contributions	38,907,471
Additions to Endowments	8,057,077
Total Other Revenues	46,964,548
Increase in Net Position	91,373,266
NET POSITION	
Net Position - July 1, 2023, as Restated (Note 20)	557,672,570
Net Position - June 30, 2024	$ 649,045,836

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

Appalachian State University
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 301,119,733
Payments to Employees and Fringe Benefits	(356,905,877)
Payments to Vendors and Suppliers	(155,430,832)
Payments for Scholarships and Fellowships	(26,935,460)
Collection of Loans	128,276
Interest Earned on Loans	25,348
Student Deposits Received	5,179,178
Student Deposits Returned	(5,364,759)
William D. Ford Direct Lending Receipts	74,277,572
William D. Ford Direct Lending Disbursements	(74,121,805)
Related Activity Agency Receipts	8,496,697
Related Activity Agency Disbursements	(9,001,663)
Other Receipts	1,350,776
Net Cash Used by Operating Activities	(237,182,816)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	201,805,226
Student Financial Aid	43,703,008
Noncapital Contributions	40,202,395
Additions to Endowments	8,057,077
Receipts from Split-Interest Agreements	138,940
Total Cash Provided by Noncapital Financing Activities	293,906,646
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	14,283,747
Capital Contributions	38,688,007
Proceeds from Lease Arrangements	472,444
Acquisition and Construction of Capital Assets	(62,364,727)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(27,528,909)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(11,188,511)
Net Cash Used by Capital Financing and Related Financing Activities	(47,637,949)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,413,560
Investment Income	8,815,608
Purchase of Investments and Related Fees	(2,293,976)
Net Cash Provided by Investing Activities	7,935,192
Net Increase in Cash and Cash Equivalents	17,021,073
Cash and Cash Equivalents - July 1, 2023	250,296,953
Cash and Cash Equivalents - June 30, 2024	$ 267,318,026

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (264,370,485)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	38,683,027
Lease Income (Amortized Deferred Inflows of Resources)	(555,985)
Allowances, Write-Offs, and Amortizations	(77,442)
Other Nonoperating Income	1,542,046
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(2,307,384)
Inventories	(202,867)
Notes Receivable, Net	197,936
Other Assets	(1,125,399)
Deferred Outflows Related to Pensions	(15,025,745)
Deferred Outflows Related to Other Postemployment Benefits	(21,398,108)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(574,777)
Funds Held for Others	(690,547)
Unearned Revenue	94,951
Net Pension Liability	23,399,204
Net Other Postemployment Benefits Liability	42,476,831
Compensated Absences	1,695,453
Deposits Payable	7,129
Workers' Compensation Liability	48,636
Deferred Inflows Under Public-Private Partnerships	(2,648,987)
Deferred Inflows Related to Pensions	(771,644)
Deferred Inflows Related to Other Postemployment Benefits	(35,578,659)
Net Cash Used by Operating Activities	$ (237,182,816)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 13,380,557
Assets Acquired through a Gift	219,464
Change in Fair Value of Investments	23,801,595
Loss on Disposal of Capital Assets	(792,697)
Amortization of Deferred Loss on Refunding	(753,524)
Amortization of Bond Premiums/Discounts	(1,015,384)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(375,661)
Subscription (SBITA) Terminations	(434,396)
Reinvested Distributions	(895,844)
UNC Management Company Investment Management Fees	(565,563)

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. Appalachian State University (University) is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

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

Blended Component Units - Although legally separate, the Appalachian State University Foundation, Inc. (Foundation) and the Appalachian Real Estate Development Corporation (Corporation, prior to November 1, 2023, the entity's name was Appalachian State University Housing Corporation), component units of the University, are reported as if they were part of the University.

The Foundation is governed by a 19-member board consisting of 6 ex officio directors and 13 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University. Because the elected directors of the Foundation are appointed by the members of the University's Board of Trustees and the Foundation's sole purpose is to benefit the University, its financial statements have been blended with those of the University.

The Corporation is governed by a board of directors consisting of no less than 7 and no more than 10 directors, of which 4 members are administrative officers of the University. The Corporation's primary function is to develop, finance, prepare, provide, and supervise residential housing facilities for students and employees of the University. Because the majority of the Corporation's debt is expected to be paid using resources of the University, and the Corporation's sole purpose is to benefit the University, its financial statements have been blended with those of the University.

Separate financial statements for the Foundation may be obtained from the Vice Chancellor for University Advancement, Dougherty Administration Building, 438 Academy Street, Boone, NC 28608, or by calling the Foundation Office at 828-262-2341.

Separate financial statements for the Corporation may be obtained from the Vice Chancellor for Student Affairs, Dougherty Administration Building, 438 Academy Street, Boone, NC 28608, or by calling the Office of Student Affairs at 828-262-2060.

Condensed combining information regarding blended component units is provided in Note 18.

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). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* and GASB Statement No. 84, *Fiduciary Activities,* the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

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

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method. Rental textbooks are recorded at cost using specific identification (Serialized Rental Textbooks).

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

The University follows capitalization policies promulgated by the North Carolina Office of the State Controller and capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated computer software which is capitalized when the value or cost is $1,000,000 or greater and other purchased intangible assets which are capitalized when the value or cost is $100,000 or greater. Electric utility assets are capitalized in accordance with the guidelines from the North Carolina Utilities Commission. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the $5,000 threshold are capitalized as grouped assets in two layers – EDP Equipment and Other Furniture/ Equipment when any single payment related to the acquisition is $5,000 or greater.

Depreciation and amortization are computed using the straight-line method for the University and the composite rate method for the electric utility over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery and Equipment	2-30 years
General Infrastructure	10-75 years
Computer Software	2-30 years

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of $100,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of $75,000 or greater and an estimated useful life of more than one year.

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

I. Restricted Assets - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, 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.

There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be 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: lease liabilities, subscription liabilities, 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 2023 *Annual Comprehensive Financial Report.* This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 2 - Deposits and Investments

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

At June 30, 2024, the amount shown on the Statement of Net Position as cash and cash equivalents includes $247,299,618, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.4 years as of June 30, 2024. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

Cash on hand at June 30, 2024 was $233,044. The carrying amount of the University's deposits not with the State Treasurer was $19,785,364, and the bank balance was $23,307,651. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2024, $20,463,485 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

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

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

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

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

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

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

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

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

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

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. The University does not have a formal policy for custodial credit risk.

Long-Term Investment Pool - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unitization method. Under this method, each participating fund's investment balance is determined on the number of units held. The investment strategy, including the selection of investment managers, is based on the directives of the University's Board of Trustees of the Endowment Fund and the Foundation's Board of Directors.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2024, for the Long-Term Investment Pool.

Long-Term Investment Pool

	Amount
Investment Type	
Other Securities	
UNC Investment Fund	$ 219,319,603
Real Assets Limited Partnerships	219,682
Total Long-Term Investment Pool	$ 219,539,285

UNC Investment Fund, LLC - At June 30, 2024, the University's investments include $219,319,603, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments - The following table presents investments by type and investments subject to interest rate risk at June 30, 2024, for the University's non-pooled investments.

Non-Pooled Investments

		Investment Maturities (in Years)		
	Amount	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
Debt Mutual Funds	$ 493,997	$ -	$ 54,150	$ 439,847
Money Market Mutual Funds	57,927	57,927	-	-
Total Debt Securities	551,924	$ 57,927	$ 54,150	$ 439,847
Other Securities				
International Mutual Funds	65,231			
Equity Mutual Funds	460,852			
Investments in Real Estate	271,330			
Domestic Stocks	338,461			
Cash Surrender Value of Life Insurance	127,059			
Total Non-Pooled Investments	$ 1,814,857			

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

	Amount	AAA Aaa	AA Aa	A	BB/Ba and below
Debt Mutual Funds	$ 493,997	$ -	$ 277,911	$ 140,392	$ 75,694
Money Market Mutual Funds	57,927	57,927	-	-	-
Totals	$ 551,924	$ 57,927	$ 277,911	$ 140,392	$ 75,694

Rating Agency: Moody's/S&P/Fitch

At June 30, 2024, the University's non-pooled investments were exposed to custodial credit risk as follows:

Investment Type	Held by Counterparty's Trust Dept or Agent not in University's Name
Domestic Stocks	$ 338,461

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

	Amount
Investment Type	
Debt Securities	
Debt Mutual Funds	$ 493,997
Money Market Mutual Funds	57,927
Other Securities	
UNC Investment Fund	219,319,603
International Mutual Funds	65,231
Equity Mutual Funds	460,852
Investments in Real Estate	271,330
Domestic Stocks	338,461
Real Assets Limited Partnerships	219,682
Cash Surrender Value of Life Insurance	127,059
Total Investments	$ 221,354,142

Note 3 - Fair Value Measurements

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

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

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities 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 or liability, either directly or indirectly.

Level 3 Investments classified as Level 3 have unobservable inputs for an asset or liability and may require a degree of professional judgment.

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

	Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	$ 493,997	$ 493,997	$ -	$ -
Money Market Mutual Funds	57,927	57,927	-	-
Total Debt Securities	551,924	551,924	-	-
Other Securities				
International Mutual Funds	65,231	65,231	-	-
Equity Mutual Funds	460,852	460,852	-	-
Investments in Real Estate	271,330	41,330	-	230,000
Domestic Stocks	338,461	338,461	-	-
Cash Surrender Value of Life Insurance	127,059	127,059	-	-
Total Investments by Fair Value Level	1,814,857	$ 1,584,857	$ -	$ 230,000
Investments Measured at the Net Asset Value (NAV)				
Real Assets Limited Partnerships	219,682			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	247,299,618			
UNC Investment Fund	219,319,603			
Total Investments as a Position in an External Investment Po	466,619,221			
Total Investments Measured at Fair Value	$468,653,760			
Other Assets (Liabilities) Measured at Fair Value				
Beneficial Interest in Assets Held by Others	$ 1,855,830	$ -	$ -	$ 1,855,830
Pledge Receivable from Trusts	$ 2,185,050	$ -	$ -	$ 2,185,050
Split-Interest Obligations	$ (1,452,687)	$ -	$ -	$ (1,452,687)

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.

Investments in Real Estate - The Foundation holds interest in donated and acquired real estate with an estimated fair value of $271,330. These investments are classified in Level 1 and 3 of the fair value hierarchy. The amounts reported in the accompanying Statement of Net Position include management's estimates of fair market value. Such estimates involve an analysis of various real estate market information, including the availability of contemporaneous appraisals.

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2024:

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Other Redemption Restrictions	Redemption Notice Period
Real Assets Limited Partnerships	$ 219,682	$ 292,507	Quarterly	Initial lock-up after 10 years	Written notice at least 45 days

Real Assets Limited Partnerships - Private investment in various real estate sectors with a focus on high-quality assets with diversity in geographic area and investment type.

Other Assets and Liabilities Measured at Fair Value

Beneficial Interests in Assets Held by Others - Beneficial interests in assets held by others classified in Level 3 of the fair value hierarchy are valued based on the fair value of the assets held in trust.

Pledges Receivable from Trusts - Pledges receivable from trusts classified in Level 3 of the fair value hierarchy are valued using the present value techniques mortality tables and the value of the underlying securities as reported by the third-party trustees.

Split-Interest Agreement Obligations - Split-interest obligations classified in Level 3 of the fair value hierarchy are valued using the present value techniques based on the IRS mortality tables and the value of the split-interest gifts.

Note 4 - Endowment Investments

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

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy which limits spending to 5% of a three-year rolling average of an individual endowment account's net position value at the end of the of the previous year. An earnings reserve must be held in each endowment account in an amount equal to 5% of the original contribution. Earnings in excess of the reserve amount as calculated at the end of the fiscal year are eligible to pay out. Realized and unrealized net capital losses that invade the original corpus amounts are recovered from accumulated income before any spending budgets are calculated. Subject to these limitations, the budgeted spending amount will be based on the net position value of each individual endowment fund. At June 30, 2024, net appreciation of $22,082,989 was available to be spent which was classified in net position as restricted expendable.

The Foundation has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value over the prior three years through the fiscal year-end. In establishing this policy, the Foundation considered the long-term expected return on the endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. The amount of net appreciation on investments of donor restricted endowments that are available for authorization for expenditure by the Board of Directors was $71,908,769 at June 30, 2024. This amount is included in net position as restricted expendable in the accompanying Statement of Net Position.

Note 5 - Receivables

Receivables at June 30, 2024, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 7,401,213	$ 908,809	$ 6,492,404
Accounts	6,185,738	147,508	6,038,230
Intergovernmental	6,695,016	-	6,695,016
Pledges	7,749,701	2,213,982	5,535,719
Interest on Loans	15,784	-	15,784
Other	75,454	-	75,454
Total Current Receivables	$ 28,122,906	$ 3,270,299	$ 24,852,607
Noncurrent Receivables:			
Pledges	$ 18,470,810	$ -	$ 18,470,810
Other	133,333	-	133,333
Total Noncurrent Receivables	$ 18,604,143	$ -	$ 18,604,143
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 172,373	$ -	$ 172,373
Institutional Student Loan Programs	275	-	275
Total Notes Receivable - Current	$ 172,648	$ -	$ 172,648
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 356,852	$ 67,545	$ 289,307

Note 6 - Capital Assets

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

	Balance July 1, 2023 (as Restated)	Increases	Decreases	Balance June 30, 2024
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 67,639,643	$ 49,843	$ -	$ 67,689,486
Art, Literature, and Artifacts	4,364,739	214,790	-	4,579,529
Construction in Progress	10,286,982	54,524,608	4,907,569	59,904,021
Total Capital Assets, Nondepreciable	82,291,364	54,789,241	4,907,569	132,173,036
Capital Assets, Depreciable:				
Buildings	1,041,443,133	2,738,235	-	1,044,181,368
Machinery and Equipment	92,582,039	12,551,593	3,483,973	101,649,659
General Infrastructure	112,742,873	2,345,416	107,716	114,980,573
Computer Software	918,617	-	-	918,617
Right-to-Use Leased Buildings	7,589,002	-	418,553	7,170,449
Right-to-Use Leased Machinery and Equipment	116,950	1,702,082	101,489	1,717,543
Right-to-Use Leased General Infrastructure	5,591,719	-	-	5,591,719
Right-to-Use Subscription Assets	8,718,231	5,477,227	1,741,717	12,453,741
Total Capital Assets, Depreciable	1,269,702,564	24,814,553	5,853,448	1,288,663,669
Less Accumulated Depreciation/Amortization for:				
Buildings	331,324,752	22,347,336	-	353,672,088
Machinery and Equipment	46,714,271	7,137,388	2,990,296	50,861,363
General Infrastructure	44,261,136	3,721,766	5,053	47,977,849
Computer Software	542,337	45,931	-	588,268
Right-to-Use Leased Buildings	2,483,757	1,124,600	418,552	3,189,805
Right-to-Use Leased Machinery and Equipment	95,499	357,432	101,491	351,440
Right-to-Use Leased General Infrastructure	1,467,750	733,875	-	2,201,625
Right-to-Use Subscription Assets	2,396,037	3,214,699	1,110,963	4,499,773
Total Accumulated Depreciation/Amortization	429,285,539	38,683,027	4,626,355	463,342,211
Total Capital Assets, Depreciable, Net	840,417,025	(13,868,474)	1,227,093	825,321,458
Capital Assets, Net	$ 922,708,389	$ 40,920,767	$ 6,134,662	$ 957,494,494

The July 1, 2023 balances of certain depreciable capital assets and corresponding accumulated depreciation were restated due to the implementation of GASB Implementation Guide 2021-1, 5.1.

As of June 30, 2024, the total amount of right-to-use leased and subscription assets was $14,479,711 and $12,453,741, and the related accumulated amortization was $5,742,870 and $4,499,773, respectively.

Note 7 - Public-Private Partnership for Student Housing, Parking Deck, Faculty/Staff Housing and District Energy

The University entered a public-private partnership that qualifies as a public-private partnership with Beyond Boone, LLC (BB), the sole member of which is Beyond Owners Group, Inc., on February 13, 2019. The project replaced 1,485 existing beds with 1,545 new beds of student housing. The University entered into this agreement to address the demand for updated on-campus housing, additional beds to meet on-campus housing demand, and to replace parking infrastructure that was displaced by the construction of the residence halls.

The project is located on the campus of the University on land leased to BB for 50 years. Upon final payment of all indebtedness owed under the agreement, the BB will transfer all its interest in the facilities for no cost to the University.

Residence life programming is managed by the University under the terms of the management agreement and operating agreement in conjunction with the ground lease and asset management agreement with BB. BB is entitled to all housing revenues generated by the residence halls during the terms of the agreement.

Phase I of the project was completed in the fall of 2020 with the completion of Thunder Hill Hall (587-beds), Raven Rocks Hall, (318-beds), and a 475-space parking deck that replaced two existing residence halls with 674 beds and a surface parking lot. Raven Rocks Hall was purchased by the University in fiscal year 2021 and is no longer a part of the arrangement. Laurel Creek Hall (640-beds) was completed in the fall of 2021 as part of phase II.

The University reports the facilities as a capital asset with a book value of $96,499,796 and a related deferred inflow of resources of $94,231,745 that is amortized using the straight-line method over the term of the agreement.

The use and operation of the parking deck facility is governed by a separate facility lease agreement. Under the terms of this agreement the University entered a lease for the facility from the operator for a 10-year term with an option to renew in 10-year increments. The University will operate the parking facility through its Parking and Transportation department. The facility lease will be accounted for separately from public-private partnership in accordance with GASB Statement No. 87 Leases and is accounted for as a right-to-use asset and lease liability.

On July 28, 2023, the University entered into a public-private partnership that qualifies as a service concession arrangement with Beyond Boone II, LLC (BBII), which is a special purpose entity formed by Radnor Property Group, who will develop, own, and operate a 156-unit faculty and staff housing facility (project) in the University’s Innovation District. Faculty and staff employees of the University will lease housing units from the operator and the operator will bill and collect all rents due under the lease agreements with employees. The term of the agreement is 50 years and at the end of the agreement ownership of the project will revert to the University. Construction of the project is expected to be completed by the end of summer 2025 at an estimated cost of $55.0 million. When the project is placed into service, the University will recognize a right to use building asset and a deferred inflow.

Related to the faculty staff housing project, the University entered a public-private partnership on October 27,2023 with Mountaineer Energy P3, LLC (MEP3), a special purpose entity formed by Harrison Street investment management firm, to construct and operate an electric power plant and utility infrastructure (DES) to serve the University’s innovation district to include a new State funded STEM building and the faculty staff housing project. As utility infrastructure is placed into service, ownership will transfer to the University and MEP3 will continue to operate the DES under a long-term utility agreement. This term of this agreement is 50 years from the date the first utility asset is operational. The DES project is estimated to cost $29.0 million and will be accounted for as an availability payment arrangement.

Note 8 - Accounts Payable and Accrued Liabilities

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

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 5,363,501
Accounts Payable - Capital Assets	5,073,650
Accrued Payroll	4,672,028
Contract Retainage	1,742,958
Intergovernmental Payables	151,877
Other	766,418
Total Current Accounts Payable and Accrued Liabilities	$ 17,770,432

Note 9 - Long-Term Liabilities

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

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 216,720,000	$ 10,105,000	$ 9,320,000	$ 217,505,000	$ 10,085,000
Bonds from Direct Placements	26,101,000	-	6,191,000	19,910,000	4,273,000
Plus: Unamortized Premium	12,616,403	-	1,021,418	11,594,985	-
Less: Unamortized Discount	30,173	-	6,034	24,139	-
Total Revenue Bonds Payable and Bonds from Direct Placements, Net	255,407,230	10,105,000	16,526,384	248,985,846	14,358,000
Notes from Direct Borrowings	96,681,891	4,178,747	7,032,198	93,828,440	5,762,972
Total Long-Term Debt	352,089,121	14,283,747	23,558,582	342,814,286	20,120,972
Other Long-Term Liabilities					
Lease Liabilities	9,696,313	1,702,082	2,179,201	9,219,194	2,097,320
Subscription (SBITA) Liabilities	3,755,881	5,175,587	3,240,906	5,690,562	2,357,957
Employee Benefits					
Compensated Absences	18,106,792	15,926,568	14,231,115	19,802,245	3,919,661
Net Pension Liability	99,643,365	23,399,204	-	123,042,569	-
Net Other Postemployment Benefits Liability	244,155,518	42,101,170	-	286,256,688	-
Workers' Compensation	661,383	816,012	767,376	710,019	392,801
Total Other Long-Term Liabilities	376,019,252	89,120,623	20,418,598	444,721,277	8,767,739
Total Long-Term Liabilities, Net	$ 728,108,373	$ 103,404,370	$ 43,977,180	$ 787,535,563	$ 28,888,711

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 10.
Additional information regarding the net pension liability is included in Note 14.
Additional information regarding the net other postemployment benefits liability is included in Note 15.
Additional information regarding workers' compensation is included in Note 16.

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

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2024	See Table Below
Revenue Bonds Payable						
Millennial Campus						
Millennial Campus Revenue Bonds - End Zone Facility	2018	4.14%	05/01/2049	$ 39,865,000	$ 38,775,000	(1)
ASU General Revenue Bonds						
ASU General Revenue Bonds - Housing, Athletics, Parking	2014A	3.35%	07/15/2039	22,540,000	16,520,000	
ASU General Revenue Taxable Bonds - Housing, Athletics, Parking	2014B	2.95%	07/15/2025	12,965,000	3,200,000	
ASU General Revenue Bonds - Housing, Dining	2014C	2.77%	10/01/2031	21,210,000	11,795,000	
ASU General Revenue Bonds - Housing, Athletics, Parking	2016A	2.45%	10/01/2033	23,965,000	17,495,000	
ASU General Revenue Bonds - Housing, Student Recreation Center	2016B	2.45%	10/01/2026	7,700,000	710,000	
ASU General Revenue Bonds - Housing	2016C	3.22%	10/01/2046	25,845,000	24,490,000	
ASU General Revenue Bonds - Housing, Athletics	2016D	2.71%	10/01/2034	10,895,000	8,705,000	
ASU General Revenue Bonds - Housing, Bookstore, Athletics, Student Union, and Steam Plant Utility System	2017A	2.82%	10/01/2036	56,390,000	50,210,000	
ASU General Revenue Bonds - Academic Building	2019	3.16%	10/01/2048	16,640,000	15,045,000	
ASU General Revenue Bonds - Parking Deck	2022B	4.00-5.00%	10/01/2052	20,455,000	20,455,000	
ASU General Revenue Bonds - Athletics	2023	4.01%	10/01/2048	10,105,000	10,105,000	
Total ASU General Revenue Bonds				228,710,000	178,730,000	
Bonds from Direct Placements						
ASU Utility System Revenue Bonds - Utility System	2016	2.33%	05/05/2026	3,650,000	730,000	(2)
Millennial Campus Revenue Bonds - Athletic Turf Field	2020	1.68%	05/01/2030	2,552,000	1,582,000	
ASU General Revenue Refunding Bonds - Housing, Bookstore, Athletics	2020	1.56%	10/01/2025	2,259,000	602,000	
ASU Utility System Revenue Bonds - Utility System	2020	1.73%	05/05/2040	6,500,000	5,760,000	(2)
ASU General Revenue Refunding Bonds - Housing, Bookstore, and Student Recreation Center	2022	1.42%	05/01/2028	16,897,000	11,236,000	
Total Bonds from Direct Placements				31,858,000	19,910,000	
Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)				$ 300,433,000	237,415,000	
Plus: Unamortized Premium					11,594,985	
Less: Unamortized Discount					24,139	
Total Revenue Bonds Payable and Bonds from Direct Placements, Net					$ 248,985,846	

The University has pledged future revenues, net of specific operating expenses, to repay revenue bonds, bonds from direct placements, and notes from direct borrowings as shown in the table below:

			For the Year Ended June 30, 2024			
Ref	Revenue Source	Total Future Revenues Pledged	Revenues Net of Expenses	Principal	Interest	Estimate of % of Revenues Pledged
(1)	University Charges to Athletics and Auxiliaries	$ 68,230,150	$ 2,200,679	$ 185,000	$ 1,710,000	100%
(2)	Electric Utility Revenue	7,387,462	4,092,035	675,000	133,752	26%
(3)	Electric Utility Revenue	1,325,859	2,728,023	2,500,000	132,100	10%

C. Notes from Direct Borrowings - The University was indebted for notes from direct borrowings for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2024	See Table Above
Energy Savings Project	T.D. Bank	1.98%	07/01/2027	$ 16,499,917	$ 4,542,698	
Former Watauga High School	Watauga County	0.00%	07/01/2040	15,475,000	13,875,000	
Renovation of Schaefer Center	First Citizens Bank	4.10%	01/15/2027	5,362,147	1,171,995	
Student Housing	PNC Bank	2.08%	12/01/2030	72,800,000	69,060,000	
ASU Utility System	Truist Financial Corp.	5.81%	10/01/2034	3,500,000	1,000,000	(3)
App 105 Phase II	First Horizon Bank	4.70%	06/30/2028	5,700,000	4,178,747	
Total Notes from Direct Borrowings				$ 119,337,064	$ 93,828,440	

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

	Annual Requirements					
	Revenue Bonds Payable		Bonds from Direct Placements		Notes from Direct Borrowings	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 10,085,000	$ 8,263,845	$ 4,273,000	$ 309,861	$ 5,762,972	$ 1,818,396
2026	11,255,000	7,776,880	3,713,000	243,732	5,869,927	1,676,498
2027	10,435,000	7,290,149	3,435,000	187,835	5,780,140	1,532,008
2028	10,140,000	6,847,922	3,474,000	137,473	3,989,687	1,393,078
2029	11,740,000	6,418,270	610,000	86,083	2,987,857	1,295,779
2030-2034	58,455,000	25,257,996	2,055,000	297,851	63,507,143	1,901,539
2035-2039	38,105,000	16,449,238	1,940,000	130,874	4,055,714	1,079
2040-2044	28,880,000	10,711,098	410,000	5,418	1,875,000	-
2045-2049	33,405,000	4,540,960	-	-	-	-
2050-2053	5,005,000	423,535	-	-	-	-
Total Requirements	$ 217,505,000	$ 93,979,893	$ 19,910,000	$ 1,399,127	$ 93,828,440	$ 9,618,377

Interest on the variable rate from direct borrowing in the original amount of $3,500,000 is calculated at 5.81% at June 30, 2024.

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

Revenue Bonds Payable - The University has outstanding General Revenue bonds totaling $178,730,000. These bonds are subject to default provisions under the Board of Governors of the University of North Carolina General Trust Indenture dated May 1, 2003. The University also has outstanding Millennial Campus Revenue bonds totaling $38,775,000. These bonds are subject to default provisions under the Board of Governors of the University of North Carolina General Trust Indenture dated December 1, 2018. Under both indentures, an event of default is defined as a failure to pay principal or premium on a bond when it becomes due and payable, a failure to pay any installment of interest when it becomes due and payable, or when the University fails to observe any covenant, condition, or provision contained in the bonds or the indenture 30 days after receiving written notification specifying the failure.

Under all agreements for Revenue Bonds, if an event of default occurs the provisions allow, or if required by a majority of owners of bonds, require the Trustee to declare bonds to be immediately due and payable.

Bonds from Direct Placements - The University has outstanding direct placements for Series 2016 Utility System Bonds totaling $730,000 and Series 2020 Utility System Bonds totaling $5,760,000. These bonds are subject to default provisions as defined in the Appalachian State University d/b/a New River Light & Power General Trust Indenture dated December 1, 2011. An event of default occurs when there is a failure to pay principal or premium on a bond when it becomes due and payable, a failure to pay any installment of interest when it becomes due and payable, or when the University fails to observe any covenant, condition, or provision contained in the bonds or the indenture 30 days after receiving written notification specifying the failure.

For the 2016 and the 2020 Utility System Bonds, the Second and Third Series Indenture defines additional events of default as (1) any petition or action for relief under any bankruptcy, reorganization, insolvency, or other laws and such petition results in an entry of an order of relief or continues as pending for a period of 60 days, (2) one or more judgements, orders, decrees, or arbitration awards is entered against the University as a result of ownership, control, or operation of any portion of the project funded by the note as to any single or series of transactions, incidents, or conditions of $1,000,000 or more that remain unsatisfied pending appeal for 60 days after entry, to (3) any representation or warranty made or deemed to be made by the University that proves to be untrue or incomplete in any material respect, or (4) any material provision of the General Indenture or Second Series Indenture ceases to be binding on the University, or is declared null and void, or the validity is contested by the University, or if any proceeding is undertaken by any governmental agency or authority with jurisdiction over the University seeks to invalidate the enforceability of the indentures, or if the University denies that it has further obligation under the Second Series Indenture or on the 2016 Bonds.

The University has outstanding direct placements for Series 2020 Millennial Campus Revenue Bonds of $1,582,000, Series 2020 Revenue Refunding Bonds of $602,000, and Series 2022 Revenue Refunding Bonds of $11,236,000. These bonds are subject to default provisions under the Board of Governors of the University of North Carolina General Trust Indenture dated May 1, 2003. An event of default is defined as a failure to pay principal or premium on a bond when it becomes due and payable, a failure to pay any installment of interest when it becomes due and payable, or when the University fails to observe any covenant, condition, or provision contained in the bonds or the indenture 30 days after receiving written notification specifying the failure.

Under all the agreements for direct placements, if an event of default occurs the provisions allow, or if required by a majority of owners of bonds, require the Trustee to declare the bonds to be 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 direct borrowing of the Guaranteed Energy Savings and Performance Contracting Phase II dated June 6, 2013 with an outstanding amount of $4,542,698. This agreement 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 within 30 days following the due date, (2) any representation or Warranty furnished by the University in the Agreement proves to be false or misleading in any material respect when made, or (3) any other material failure by the University to perform or comply with the terms and conditions of the Agreement, unless corrected within 30 days after written notice to the University.

Upon the occurrence of any event of default related to the Phase II agreement, each party agrees to exercise good faith efforts to resolve the matter fairly, amicably and in a timely manner. The parties shall consider litigation as a last resort, to be employed only when alternative dispute resolution procedures fail.

The carrying value of the energy savings improvement assets associated with the Phase II of the Energy Savings and Performance Contracting is $9,117,118 and is subject to security provisions in the agreements to ensure timely debt service payments.

The University has an outstanding note from direct borrowing of $13,875,000 through a long-term note agreement with Watauga County dated September 28, 2017. The University has pledged a land asset with a book value of $18,390,209, which is subject to security provisions in the agreement to ensure timely debt service payments. This agreement contains provisions related to events of default. An event of default occurs when: (1) payment of any installment of principal or interest is not paid within 15 days from the due date, or (2) default under the terms of any instrument securing the note, and such default is not resolved within 15 days after written notice to maker.

Upon the occurrence of any default, the County may without further notice, declare the remainder of the principal sum, together with all the interest accrued due and payable. The unpaid principal, accrued interest, and all other sums due under the note will be subject to interest at the rate of 5% per annum after default until paid.

The University entered into a note from direct borrowing of $1,000,000 through a long-term note agreement with a financial institution dated October 12, 2022. The loan carries a variable interest rate which was 5.98% on June 30, 2024. The interest payment is due on the first day of each calendar month and the principal is payable in twenty installments of substantially equal payments beginning October 1, 2024. The note is subject to default provisions as defined in the Appalachian State University d/b/a New River Light & Power General Trust Indenture dated December 1, 2011 as referenced in Bonds for Direct Placement above and includes additional provisions that constitute default to include any petition or action relief for bankruptcy, any representation or warranty deemed to be untrue or incomplete in any material respect, and any material provision of the General Indenture or Series Indenture that becomes invalid and ceases to be binding.

The Foundation entered into a future advance loan agreement with a financial institution on March 5, 2012, to finance the renovation of the Schaefer Center for the Performing Arts. The Foundation assigned donor pledges made for purposes of the renovation to the bank as collateral for the loan. The outstanding balance as of June 30, 2024, was $1,171,995. The note is payable in annual installments of $487,585 including principal and interest due January 15 of each year with all remaining principal and interest due January 15, 2027. The loan carries an interest rate of 4.10%.

The Foundation entered into a future advance loan agreement with a financial institution on June 12, 2023, to finance an athletics construction project known as Phase II of the Appalachian 105 Project. The Foundation assigned donor pledges made for the purposes of the project construction to the bank as collateral for the loan. The outstanding balance as of June 30, 2024 was $4,178,746. The loan has an 18 month draw down period ending December 12, 2024 with a maximum available amount of $5,700,000 and has principal repayment requirements of 25% each year beginning June 2025 and ending June 2028. The loan carries an interest rate of 4.7%.

The Corporation entered into a loan agreement with a financial institution on December 18, 2020, to finance the construction of New River Residence Hall and associated site improvements. The Corporation assigned to the bank, right, title and interest in lease and use agreements established between the University and the Corporation, and upon default, the Base Rentals, which includes all rental revenue from the facility, and payments received or receivable by the Corporation under these agreements, and a continuing security interest in the Base Rentals, as well as the lease and use agreements after the commencement of any proceeding under the Bankruptcy Code involving the Corporation. The bank has the right, power and authority to: (1) settle, compromise, release, extend the time of payment of, and make allowances, adjustments and discounts of any Base Rentals or other obligations; (2) enforce payment of Base Rentals; (3) enter on, take possession of and operate the residence hall if a default occurs; and, (4) perform any and all obligations of the Corporation. The outstanding balance as of June 30, 2024, was $69,060,000. The note is payable in semi-annual installments of principal due and quarterly installments of interest due each year with all remaining principal and interest due April 1, 2028. The loan carries an interest rate of 2.08%.

Note 10 - Leases and Subscription-Based Information Technology Arrangements

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

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

During the year ended June 30, 2024, the University recognized operating revenues related to lessor arrangements totaling $447,096, and nonoperating lease interest income totaling $108,889.

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

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2024	Current Portion	Lease Terms [1]	Interest Rate Ranges
Lessor:					
Buildings	3	$ 2,328,185	$ 273,676	10 Years	2.40% - 3.00%
Machinery and Equipment	3	2,037,860	103,005	17 Years	2.69% - 3.18%
Total	6	$ 4,366,045	$ 376,681		

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

B. Lessee Arrangements - The University has lease agreements for the right to use office space, equipment, and infrastructure from both external and related parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the lease liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the lease liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of $166,547 for these changes in variable payments not previously included in the measurement of the lease liability.

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

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2024	Current Portion	Lease Terms (1)	Interest Rate/ Ranges
Lessee:					
Right-to-Use Leased Buildings	5	$ 4,145,332	$ 978,572	7 Years	2.31% - 8.50%
Right-to-Use Leased Machinery and Equipment	7	1,382,618	342,237	5 Years	2.74% - 6.00%
Right-to-Use Leased General Infrastructure	1	3,691,244	776,511	8 Years	2.69%
Total	13	$ 9,219,194	$ 2,097,320		

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

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

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

The University had nine commitments under SBITAs for the right to use information technology software before the SBITA term beginning July 1, 2024, ranging from 3 to 5 years with total payments over the period of $2,905,333.

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

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2024	Current Portion	SBITA Terms and Conditions	Interest Rate Ranges
Right-to-Use Subscription Assets	55	$ 5,690,562	$ 2,357,957	1-6 Years	1.71% - 6.00%

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

	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
Fiscal Year	Principal	Interest	Principal	Interest
2025	$ 2,097,320	$ 263,579	$ 2,357,957	$ 149,458
2026	2,037,273	199,528	1,872,832	94,194
2027	2,091,494	134,489	720,703	41,786
2028	2,139,165	68,051	674,110	19,413
2029	853,942	13,490	64,960	619
Total Requirements	$ 9,219,194	$ 679,137	$ 5,690,562	$ 305,470

Note 11 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (46,309,010)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(295,519,500)
Effect on Unrestricted Net Position	(341,828,510)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	156,207,567
Total Unrestricted Net Position	$ (185,620,943)

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

Note 12 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 191,822,119	$ 34,173,396	$ 170,454	$ 157,478,269
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	$ 41,794,724	$ 7,110,021	$ 35,876	$ 34,648,827
Dining	32,838,086	5,411,630	14,080	27,412,376
Student Union Services	4,063,267	-	-	4,063,267
Health, Physical Education, and Recreation Services	724,897	-	28,981	695,916
Bookstore	14,870,895	1,942,978	6,951	12,920,966
Parking	7,187,768	514,336	4,659	6,668,773
Athletics	15,995,903	-	-	15,995,903
Other	1,634,632	-	121,017	1,513,615
Sales and Services of Education and Related Activities	7,952,123	-	78,040	7,874,083
Independent Operations	19,279,173	-	47,354	19,231,819
Total Sales and Services, Net	$ 146,341,468	$ 14,978,965	$ 336,958	$ 131,025,545

Note 13 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 160,718,845	$ 9,210,476	$ 12,550	$ -	$ -	$ 169,941,871
Research	7,984,694	3,585,698	45,079	-	-	11,615,471
Public Service	8,076,583	7,726,295	433,808	-	-	16,236,686
Academic Support	42,701,471	13,152,619	101,636	2,773	-	55,958,499
Student Services	10,740,260	1,817,297	-	-	-	12,557,557
Institutional Support	35,243,738	8,011,152	-	-	-	43,254,890
Operations and Maintenance of Plant	24,517,170	7,423,314	-	5,461,442	-	37,401,926
Student Financial Aid	713,286	93,401	22,925,569	-	-	23,732,256
Auxiliary Enterprises	59,090,517	79,171,277	3,416,818	6,434,490	-	148,113,102
Independent Operations	1,982,212	11,615,468	-	-	-	13,597,680
Depreciation/Amortization	-	-	-	-	38,683,027	38,683,027
Total Operating Expenses	$ 351,768,776	$ 141,806,997	$ 26,935,460	$ 11,898,705	$ 38,683,027	$ 571,092,965

Note 14 - Pension Plans

A. Defined Benefit Plan

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

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2024 was 17.64% of covered payroll. Plan members' contributions to the pension plan were $8,491,709, and the University's contributions were $24,965,624 for the year ended June 30, 2024.

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

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

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2023 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2024, the University reported a liability of $123,042,569 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the University's proportion was 0.73802%, which was an increase of 0.06667 from its proportion measured as of June 30, 2022, which was 0.67135%.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2022
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return includes inflation assumption 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, 2022 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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

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

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

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2022 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2023 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability

1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$ 211,235,258	$ 123,042,569	$ 50,286,461

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2024, the University recognized pension expense of $33,022,816. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 10,030,880	$ 908,141
Changes of Assumptions	4,321,092	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	34,267,346	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	4,567,353	510,595
Contributions Subsequent to the Measurement Date	24,965,624	-
Total	$ 78,152,295	$ 1,418,736

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

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

Year Ending June 30:	Amount
2025	$ 16,796,207
2026	9,931,731
2027	23,576,201
2028	1,463,796
Total	$ 51,767,935

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

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

Participants contribute 6% of compensation and the University contributes 6.84%. For the year ended June 30, 2024, the University had a total payroll of $269,124,469, of which $101,257,569 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $6,075,454 and $6,926,018, respectively. The amount of plan forfeitures reflected in pension expense was $586,336.

Note 15 - Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2023 *Annual Comprehensive Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at 919-707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

B. Plan Descriptions

1. Health Benefits

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

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

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

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

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

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

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The University's contractually-required contribution rate for the year ended June 30, 2024 was 7.14% of covered payroll. The University's contributions to the RHBF were $17,334,924 for the year ended June 30, 2024.

In fiscal year 2022, the Plan transferred $180.51 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2024, the University recognized noncapital contributions for RHBF of $375,661.

2. Disability Income

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

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

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

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

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

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2024 was 0.11% of covered payroll. The University's contributions to DIPNC were $267,065 for the year ended June 30, 2024.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2024, the University reported a liability of $285,956,342 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the University's proportion was 1.07311%, which was an increase of 0.04628 from its proportion measured as of June 30, 2022, which was 1.02683%.

Disability Income Plan of North Carolina: At June 30, 2024, the University reported a liability of $300,346 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the University's proportion was 1.12929%, which was an increase of 0.06987 from its proportion measured as of June 30, 2022, which was 1.05942%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2023 utilizing update procedures incorporating the actuarial assumptions.

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

* Salary increases include 3.25% inflation and productivity factor.

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

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

N/A - Not Applicable

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

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

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

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

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

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

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

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

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

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

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

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2023 compared to 3.08% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

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

	Net OPEB Liability		
	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
RHBF	$ 337,339,748	$ 285,956,342	$ 244,107,704
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	$ 361,057	$ 300,346	$ 238,529

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

	Net OPEB Liability		
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	$ 236,082,472	$ 285,956,342	$ 350,267,311

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

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

OPEB Plan	Amount
RHBF	$ 2,699,347
DIPNC	410,628
Total OPEB Expense	$ 3,109,975

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 3,148,939	$ 263,215	$ 3,412,154
Changes of Assumptions	30,977,777	21,886	30,999,663
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	2,284,366	392,293	2,676,659
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	14,843,006	16,828	14,859,834
Contributions Subsequent to the Measurement Date	17,334,924	267,065	17,601,989
Total	$ 68,589,012	$ 961,287	$ 69,550,299

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 280,180	$ 166,356	$ 446,536
Changes of Assumptions	76,290,844	51,270	76,342,114
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,992,634	31,827	2,024,461
Total	$ 78,563,658	$ 249,453	$ 78,813,111

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

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

Year Ending June 30:	RHBF	DIPNC
2025	$ (11,457,309)	$ 139,190
2026	(16,869,340)	82,042
2027	(6,938,850)	134,116
2028	7,955,929	46,644
2029	-	24,152
Thereafter	-	18,625
Total	$ (27,309,570)	$ 444,769

Note 16 - Risk Management

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the University for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 15, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The University is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State managed by the North Carolina Department of Insurance. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a $5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium. The University purchases All Risk (Special Form) coverage for all state-owned buildings and contents through the Fund and flood coverage for buildings and contents with increased risk of flood exposure. Losses are subject to a $100,000 per occurrence deductible.

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the University

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance, the State's Agent of Record. The types of insurance policies include: coverage for participants in international educational and study abroad programs, campers accident and health, boiler and machinery, automobile physical damage, unmanned aerial systems liability, business travel, fine arts property, student blanket professional liability, student health, professional liability for certain athletic trainers, athletic accident insurance, medical malpractice coverage, volunteer liability, inland marine, leased computerized business equipment, musical instruments, cyber and data breach, workers' compensation for out-of-state employees, and excess liability on specific policies.

Note 17 - Commitments and Contingencies

A. Commitments - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $22,578,888 and on other purchases were $13,806,055 at June 30, 2024.

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

Note 18 - Blended Component Units

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

Condensed Statement of Net Position
June 30, 2024

	University	Appalachian State University Foundation, Inc.	Appalachian Real Estate Development Corporation	Eliminations	Total
ASSETS					
Current Assets	$ 196,305,406	$ 40,240,373	$ 8,844,764	$ (127,253)	$ 245,263,290
Capital Assets, Net	872,584,443	2,140,006	82,813,063	(43,018)	957,494,494
Other Noncurrent Assets	109,192,665	197,974,210	2,313,556	(30,425)	309,450,006
Total Assets	1,178,082,514	240,354,589	93,971,383	(200,696)	1,512,207,790
TOTAL DEFERRED OUTFLOWS OF RESOURCES	154,080,290	-	-	-	154,080,290
LIABILITIES					
Current Liabilities	64,318,754	1,954,314	2,452,270	(127,253)	68,598,085
Long-Term Liabilities, Net	687,609,261	3,925,479	67,142,537	(30,425)	758,646,852
Other Noncurrent Liabilities	5,794,391	1,293,458	-	-	7,087,849
Total Liabilities	757,722,406	7,173,251	69,594,807	(157,678)	834,332,786
TOTAL DEFERRED INFLOWS OF RESOURCES	178,655,381	4,297,095	-	(43,018)	182,909,458
NET POSITION					
Net Investment in Capital Assets	508,830,063	256,006	15,843,024	(5,350,742)	519,578,351
Restricted - Nonexpendable	21,492,071	100,697,202	-	-	122,189,273
Restricted - Expendable	72,044,044	115,504,369	-	5,350,742	192,899,155
Unrestricted	(206,581,161)	12,426,666	8,533,552	-	(185,620,943)
Total Net Position	$ 395,785,017	$ 228,884,243	$ 24,376,576	$ -	$ 649,045,836

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

	University	Appalachian State University Foundation, Inc.	Appalachian Real Estate Development Corporation	Eliminations	Total
OPERATING REVENUES					
Student Tuition and Fees, Net	$ 157,478,269	$ -	$ -	$ -	$ 157,478,269
Grants and Contracts	14,261,591	-	-	-	14,261,591
Sales and Services, Net	125,032,228	476,137	8,883,165	(3,365,985)	131,025,545
Other	3,542,508	49,961	423,433	(58,827)	3,957,075
Total Operating Revenues	300,314,596	526,098	9,306,598	(3,424,812)	306,722,480
OPERATING EXPENSES					
Operating Expenses	529,951,588	34,014,169	3,163,842	(34,719,661)	532,409,938
Depreciation/Amortization	35,967,062	181,868	2,548,049	(13,952)	38,683,027
Total Operating Expenses	565,918,650	34,196,037	5,711,891	(34,733,613)	571,092,965
Operating Income (Loss)	(265,604,054)	(33,669,939)	3,594,707	31,308,801	(264,370,485)
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	201,805,226	-	-	-	201,805,226
Student Financial Aid	43,703,008	-	-	-	43,703,008
Noncapital Contributions	41,863,074	24,321,482	-	(26,046,545)	40,138,011
Investment Income, Net	12,811,771	20,430,305	250,673	-	33,492,749
Interest and Fees on Debt	(9,302,531)	(136,609)	(1,462,886)	-	(10,902,026)
Other Nonoperating Revenues (Expenses)	480,446	64,172	(2,383)	-	542,235
Net Nonoperating Revenues (Expenses)	291,360,994	44,679,350	(1,214,596)	(26,046,545)	308,779,203
Capital Contributions	42,887,093	899,384	-	(4,879,006)	38,907,471
Additions to Endowments	383,250	8,057,077	-	(383,250)	8,057,077
Total Other Revenues	43,270,343	8,956,461	-	(5,262,256)	46,964,548
Increase in Net Position	69,027,283	19,965,872	2,380,111	-	91,373,266
NET POSITION					
Net Position, July 1, 2023 (as Restated)	326,757,734	208,918,371	21,996,465	-	557,672,570
Net Position, June 30, 2024	$ 395,785,017	$ 228,884,243	$ 24,376,576	$ -	$ 649,045,836

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

	University	Appalachian State University Foundation, Inc.	Appalachian Real Estate Development Corporation	Eliminations	Total
Net Cash Provided (Used) by Operating Activities	$ (241,322,157)	$ (28,151,781)	$ 6,195,728	$ 26,095,394	$ (237,182,816)
Total Cash Provided by Noncapital Financing Activities	287,887,923	27,235,111	-	(21,216,388)	293,906,646
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(43,540,376)	4,342,017	(3,560,584)	(4,879,006)	(47,637,949)
Net Cash Provided (Used) by Investing Activities	7,978,920	(294,401)	250,673	-	7,935,192
Net Increase in Cash and Cash Equivalents	11,004,310	3,130,946	2,885,817	-	17,021,073
Cash and Cash Equivalents, July 1, 2023	203,960,799	38,421,260	7,914,894	-	250,296,953
Cash and Cash Equivalents, June 30, 2024	$ 214,965,109	$ 41,552,206	$ 10,800,711	$ -	$ 267,318,026

Significant eliminations recorded when blending financial information of the University, Foundation, and Corporation include the following:

- A total of $26,577,533 in cash and in-kind transfers from the Foundation to support University operations and scholarships. Of this amount, $21,315,277 was provided as noncapital contributions, $4,879,006 as capital contributions, and $383,250 for additions to endowments. An additional $4,731,268 in services contributed by the Foundation was eliminated from noncapital contributions.
- A total of $3,365,985 in cash was transferred to the Corporation and recognized as revenues for the use of New River Residence Hall. The residence hall is owned by the Corporation who also holds the debt on the facility. The University retains housing revenues from students and makes payments to the Corporation equal to debt service due for the fiscal year.
- A total of $5,350,742 is eliminated from the Statement of Net Position and is related to debt held by the Foundation on behalf of University owned assets.

Note 19 - Changes in Financial Accounting and Reporting

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

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

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

Note 20 - Net Position Restatements

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

	Amount
July 1, 2023 Net Position as Previously Reported	$ 541,295,506
Restatements:	
Correct Prior Year Error in Prepaid Assets	333,395
Restate Nondepreciable Capital Assets (CIP) for GASB Implementation Guide 2021-1, 5.1	1,328,545
Restate Depreciable Capital Assets (Net) for GASB Implementation Guide 2021-1, 5.1	14,715,124
July 1, 2023 Net Position as Restated	$ 557,672,570

Note 21 - Subsequent Event

Hurricane Helene - Hurricane Helene moved across Western North Carolina on September 27, 2024, bringing strong winds and heavy rainfall to the region including Boone, NC the location of the University's main campus. The most significant damage was limited to four buildings on campus as a result of flooding. Though the University is continuing to assess the full extent of the damage caused by Hurricane Helene, management anticipates that state and federal funds as well as insurance proceeds will cover a significant portion of the losses and costs incurred, which are currently estimated at $8.4 million. The storm damage to campus, the Town of Boone, Watauga County, and the surrounding area caused disruption to operations; however, management does not anticipate that storm will have a material adverse effect on Appalachian's long-term operations or its ability to meet its financial obligations and provide quality instruction to students. The University resumed in-person classes on October 16, 2024, 19 days after the storm devastated the community. During the time that the academic operations of the University were suspended, management established a disaster resource center that provided students, staff, and faculty with information and assistance including access to the App State Disaster Relief Fund, primarily funded by private donations, to provide bridge funding for those whose homes were damaged or destroyed and/or who experienced other financial challenges because of Helene. The University disbursed $4.4 million in relief funds to over five thousand individuals. Of those supported, 77% were students, 18% staff, and 5% faculty. Additionally, the University opened its dining hall to provide meals to the community and established a temporary Red Cross shelter. Despite the hardship and destruction caused by the storm, the University and the community joined together to support those in need and begin the recovery and rebuilding efforts.

Bond Issuance - On December 12, 2024, the University issued tax exempt Series 2024 Millennial Campus Bonds for the construction of an Athletics Indoor Practice Facility. The par amount for the bonds totaled $17,515,000 with a premium of $1,907,218, bringing the total proceeds to $19,422,218. The interest rate on the bonds is 3.45%, with an average coupon of 5.0% and the first coupon payment scheduled for November 1, 2026. The bonds have a 10-year term with a final maturity on November 1, 2034. Bond proceeds, less cost of issuance, in addition to a $6,000,000 equity contribution from the University will fund the projects which are budgeted at $25,000,000.

Required Supplementary Information

Appalachian State University
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
*Last Ten Fiscal Years** — *Exhibit B-1*

Teachers' and State Employees' Retirement System	**2024**	**2023**	**2022**	**2021**	**2020**
Proportionate Share Percentage of Collective Net Pension Liability	0.73802%	0.67135%	0.67702%	0.68133%	0.67358%
Proportionate Share of TSERS Collective Net Pension Liability	$ 123,042,569	$ 99,643,365	$ 31,702,145	$ 82,318,270	$ 69,829,749
Covered Payroll	$ 126,645,205	$ 109,807,013	$ 105,783,295	$ 105,255,412	$ 101,764,996
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	97.16%	90.74%	29.97%	78.21%	68.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.97%	84.14%	94.86%	85.98%	87.56%

	2019	**2018**	**2017**	**2016**	**2015**
Proportionate Share Percentage of Collective Net Pension Liability	0.62781%	0.62049%	0.59985%	0.57921%	0.56360%
Proportionate Share of TSERS Collective Net Pension Liability	$ 62,505,322	$ 49,232,413	$ 55,132,411	$ 21,345,035	$ 6,607,765
Covered Payroll	$ 94,335,041	$ 89,737,238	$ 85,376,440	$ 83,116,332	$ 79,589,512
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	66.26%	54.86%	64.58%	25.68%	8.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%	94.64%	98.24%

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

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

Appalachian State University
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years — *Exhibit B-2*

Teachers' and State Employees' Retirement System	**2024**	**2023**	**2022**	**2021**	**2020**
Contractually Required Contribution	$ 24,965,624	$ 22,010,937	$ 17,986,389	$ 15,634,771	$ 13,651,627
Contributions in Relation to the Contractually Determined Contribution	24,965,624	22,010,937	17,986,389	15,634,771	13,651,627
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 141,528,483	$ 126,645,205	$ 109,807,013	$ 105,783,295	$ 105,255,412
Contributions as a Percentage of Covered Payroll	17.64%	17.38%	16.38%	14.78%	12.97%

	2019	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 12,506,918	$ 10,169,317	$ 8,955,776	$ 7,811,944	$ 7,605,144
Contributions in Relation to the Contractually Determined Contribution	12,506,918	10,169,317	8,955,776	7,811,944	7,605,144
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 101,764,996	$ 94,335,041	$ 89,737,238	$ 85,376,440	$ 83,116,332
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%	9.15%	9.15%

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

Appalachian State University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2024

Changes of Benefit Terms:

Cost of Living Increase

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

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

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

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

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

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

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

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

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

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

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

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

N/A - Not Applicable

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

Retiree Health Benefit Fund	**2024**	**2023**	**2022**	**2021**	**2020**
Proportionate Share Percentage of Collective Net OPEB Liability	1.07311%	1.02683%	1.03684%	1.03789%	1.03909%
Proportionate Share of Collective Net OPEB Liability	$ 285,956,342	$ 243,840,361	$ 320,543,877	$ 287,920,246	$ 328,761,498
Covered Payroll	$ 223,709,504	$ 201,564,912	$ 192,850,042	$ 193,829,196	$ 188,808,035
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	127.82%	120.97%	166.21%	148.54%	174.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.73%	10.58%	7.72%	6.92%	4.40%

	2019	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	1.00750%	0.96582%	1.08025%
Proportionate Share of Collective Net OPEB Liability	$ 287,017,119	$ 316,660,087	$ 469,945,468
Covered Payroll	$ 179,056,042	$ 172,557,711	$ 164,465,182
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	160.29%	183.51%	285.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%

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

Disability Income Plan of North Carolina	**2024**	**2023**	**2022**	**2021**	**2020**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	1.12929%	1.05942%	1.05539%	1.08263%	1.07350%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ 300,346	$ 315,157	$ (172,387)	$ (532,589)	$ (463,215)
Covered Payroll	$ 223,709,504	$ 201,564,912	$ 192,850,042	$ 193,829,196	$ 188,808,035
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.13%	0.16%	0.09%	0.27%	0.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.61%	90.34%	105.18%	115.57%	113.00%

	2019	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	1.04545%	1.05029%	1.01711%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (317,566)	$ (641,937)	$ (631,625)
Covered Payroll	$ 179,056,042	$ 172,557,711	$ 164,465,182
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.18%	0.37%	0.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	108.47%	116.23%	116.06%

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

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

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

Retiree Health Benefit Fund	**2024**	**2023**	**2022**	**2021**	**2020**
Contractually Required Contribution	$ 17,334,924	$ 15,413,585	$ 12,678,433	$ 12,882,383	$ 12,540,749
Contributions in Relation to the Contractually Determined Contribution	17,334,924	15,413,585	12,678,433	12,882,383	12,540,749
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 242,786,052	$ 223,709,504	$ 201,564,912	$ 192,850,042	$ 193,829,196
Contributions as a Percentage of Covered Payroll	7.14%	6.89%	6.29%	6.68%	6.47%

	2019	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 11,838,264	$ 10,832,891	$ 10,025,603	$ 9,210,050	$ 8,743,687
Contributions in Relation to the Contractually Determined Contribution	11,838,264	10,832,891	10,025,603	9,210,050	8,743,687
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 188,808,035	$ 179,056,042	$ 172,557,711	$ 164,465,182	$ 159,265,704
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

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

Disability Income Plan of North Carolina	**2024**	**2023**	**2022**	**2021**	**2020**
Contractually Required Contribution	$ 267,065	$ 223,710	$ 181,408	$ 173,565	$ 193,829
Contributions in Relation to the Contractually Determined Contribution	267,065	223,710	181,408	173,565	193,829
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 242,786,052	$ 223,709,504	$ 201,564,912	$ 192,850,042	$ 193,829,196
Contributions as a Percentage of Covered Payroll	0.11%	0.10%	0.09%	0.09%	0.10%

	2019	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 264,331	$ 250,678	$ 655,719	$ 674,307	$ 652,989
Contributions in Relation to the Contractually Determined Contribution	264,331	250,678	655,719	674,307	652,989
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 188,808,035	$ 179,056,042	$ 172,557,711	$ 164,465,182	$ 159,265,704
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.38%	0.41%	0.41%

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

Appalachian State University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2024

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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
Appalachian State University
Boone, 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 Appalachian State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 16, 2024. Our report includes a reference to other auditors who audited the financial statements of Appalachian State University Foundation, Inc. (Foundation) and Appalachian Real Estate Development Corporation (Corporation), as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately for the Corporation by those auditors. The financial statements of the Foundation 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 the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

December 16, 2024

Ordering Information

Copies of this report may be obtained by contacting:

Office of the State Auditor
State of North Carolina
20601 Mail Service Center
Raleigh, North Carolina 27699

Telephone: 919-807-7500
Fax: 919-807-7647
Internet: www.auditor.nc.gov

To report alleged incidents of fraud, waste or abuse in state government contact the Office of the State Auditor's Tipline:

Telephone: 1-800-730-8477

Internet: www.auditor.nc.gov/about-us/state-auditors-tipline

For additional information contact the
North Carolina Office of the State Auditor at:

919-807-7666

This audit required 534 hours at an approximate cost of $82,770.