



WSSU

**WSSU Board of Trustees
Audit and Grievance Committee Meeting
Monday, September 15 at 1:00 p.m.
Virtual Meeting**

Meeting Agenda

- I. Call to Order L'Tanya Bailey, Committee Chair
- II. Conflict of Interest Statement L'Tanya Bailey, Committee Chair
All board members are reminded of their duty under the State Government Ethics Act to avoid conflicts of interest and appearances of conflict of interest as required by this Act. Each member has received the agenda and related information for this Board of Trustees meeting. If any board member knows of any conflict of interest or appearance of conflict with respect to any matter coming before the Board of Trustees at this meeting, the conflict or appearance of conflict should be identified at this time.
- III. Roll Call Kelley Mills, Chief of Staff
- IV. External Audit Update (Supporting Memo) Rod Isom, Chief Audit Officer and Staff
 - a. Summary of Office of the State Auditor (OSA)*
Supporting Documents:
 - *Financial Statement Audit Report for the Year Ended June 30, 2024*
 - *Report on Supplementary Information – Dormitory System and Project Debt Service Coverage Schedule for the Year Ended June 30, 2024*
 - *Single Audit Report for the Year Ended June 30, 2024*
 - b. Summary of Associated Entities Reviews*
Supporting Documents:
 - *WSSU Foundation, Inc. and Subsidiary | Consolidated Financial Statement as of June 30, 2024*
 - *WSSU Foundation, Inc. and Subsidiary | Memorandum of Recommendation on Internal Control and Other Matters June 30, 2024*
 - *SG Atkins Community Development letter from DMJPS CPAs + Advisors*
 - *SG Atkins Community Development Corporation Financial Statements Years Ended Jun 30, 2024 and 2023*
 - c. Other External Reviews*
- V. Internal Audit Update (Supporting Memo) Rod Isom, Chief Audit Officer and Staff
 - a. Board Essential Relationship & Internal Audit Charters*
Supporting Documents:
 - *Board Essential Relationships & Internal Audit Charters*
 - *Global Internal Audit Standards | The Essential Relationship Between the Board and the Internal Audit Function*
 - *Audit and Grievance Committee Charter*
 - *Audit and Grievance Committee Operating Procedures*
 - b. Summary of Operations & Audit Activity for Fiscal Year 2025*
Supporting Documents:
 - *Internal Audit Annual Report | FY25 Summary of IA Activity*

c. Recent Reports and Other Communication*

Supporting Documents:

- *Office of Internal Audit Report | Higher Education Institutional Aid (Title III)*
- *WSSU FY24 Audit Resolution Letter*
- *Monitoring Report Dated July 10, 2025*

d. **ACTION ITEM** | Audit Plan & Risk Assessment Update

Supporting Documents:

- *Action Item Cover Memo*
- *FY26 WSSU Internal Audit Risk Assessment Top Risk*
- *FY26 Audit Plan*

e. Other Activities and Matters*

Supporting Documents:

- *Other Activities and Matters (QAIP Efforts)*
- *Self-Assessment Maturity Model*

VI. CLOSED SESSION - Internal Audit Activity Rod Isom, Chief Audit Officer and Staff

a. Recent Investigative Reports and Other Communication

VII. Adjournment

L'Tanya Bailey, Committee Chair

**Additional information related to this item or any internal audits or reviews released prior to the meeting will be provided at the meeting.*



MEMORANDUM

TO: WSSU Audit and Grievance Committee
FROM: Rod Isom, Chief Audit Officer
DATE: Monday, September 9 (date memo prepared)
SUBJECT: External Audit Update Summary

Below, please find informational summaries for the following external audit efforts:

A. Summary of Office of the State Auditor (OSA)*

OSA conducts the university's annual financial statement audits and other reviews periodically. No supporting documentation provided for "in progress" reports.

- 1) Financial Statement Audit for FY24
 - The result of the audit was an unqualified opinion, with no findings or issues to report (Clean Audit)
 - OSA Financial Statement Audit for FY25 has commenced.
- 2) Debt Service Coverage Schedule (DSCS) for FY24
 - The accompanying DSCS is presented for purposes of additional analysis and debt compliance and is not a required part of the basic financial statements.
- 3) Higher Education (Title III)
 - Finding identified which resulted in Internal Audit (IA) conducting a follow-up review to ensure satisfactory progress had been achieved in accordance with NC General Statute 116-30.1. See *Agenda Item II* for IA's review.
- 4) Cybersecurity Audit – In Progress

B. Summary of Associated Entities Reviews*

WSSU Associated entities are required to have annual audits conducted by CPA firms and the following are the results for FY24

- 1) WSSU Foundation Audit
 - The result of the audit was an unqualified opinion; however findings were noted
- 2) SG Atkins Community Development Corporation
 - The result of the audit was an unqualified opinion, with no findings to report (Clean Audit)
- 3) Alumni Association – no annual audit was conducted

C. Other External Reviews*

The university is required to undergo other external audits by the State periodically to ensure compliance. No supporting documentation provided for "in progress" reports.

- 1) NC State Education Assistance Authority (NCSEAA) Financial Aid – In Progress
- 2) NC Department of Administration (NC DOA) Purchase Compliance – In Progress

*Additional information related to this item or any internal audits or reviews released prior to the meeting will be provided at the meeting.

Winston-Salem State University

Winston-Salem, NC



Financial Statement Audit Report

For the Year Ended June 30, 2024

State Auditor
Dave Boliek

A Constitutional Office of the
State of North Carolina





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Board of Trustees, Winston-Salem State University
Bonita J. Brown, Chancellor

Winston-Salem State University has distinguished itself as an educational institution where students can get the most "Bang for the Buck" to help set themselves up for economic success later in life. The university also recognizes the importance in properly preparing its finances.

Through financial audits of universities and colleges, the North Carolina Office of the State Auditor assesses whether the records prepared by schools are materially correct. Our audit of Winston-Salem State University's financial records shows no material errors for the year ended June 30, 2024. The audited statements make for a clean opinion and can be relied upon by management.

Winston-Salem State University faculty were helpful and cooperative with our team as we conducted this financial statement audit, and I'm very thankful of that.

Respectfully submitted,

Dave Boliek
State Auditor

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



Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report

Board of Trustees
Winston-Salem State University
Winston-Salem, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Winston-Salem State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, 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 report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of Winston-Salem State University, and its discretely presented component unit, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the consolidated financial statements of the Winston-Salem State University Foundation, Inc. and Subsidiary, the University's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Winston-Salem State University Foundation, Inc. and Subsidiary, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Winston-Salem State University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2025, 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.



Dave Boliek
State Auditor

Raleigh, North Carolina

April 22, 2025



Management's Discussion and Analysis

This section of the Winston-Salem State University (the "University") annual financial report presents our discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2024. This discussion has been prepared by University management along with the financial statements and notes to the financial statements and should be read in conjunction with, and is qualified in its entirety by, the financial statements and notes. Management's Discussion and Analysis has comparative data for the applicable years (past and current) with emphasis on the current year. The financial statements, notes, and this discussion are the responsibility of University management.

Using the Annual Report

This annual report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board's (GASB) pronouncements. GASB pronouncements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis for the University as a whole, with resources classified for accounting and reporting purposes into four net position categories. One of the most important questions asked is whether the University as a whole is better or worse off as a result of the year's activities. The key to understanding this question is provided within the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The University's net position (the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources) is an indicator of the University's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. All things being equal, a public University's dependency on state appropriations and gifts will result in operating deficits because GASB Statement No. 34 classifies state appropriations, certain grants, and gifts as nonoperating revenues.

The Statement of Cash Flows provides information relative to the University's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balances of noncash accounts on the Statement of Net Position.

Reporting Entity

The financial statements report information about the University as a whole using accounting methods similar to those used by private-sector companies. The University's supporting organization, the Winston-Salem State University Foundation, Inc. and Subsidiary (the "Foundation"), is an independent nonprofit corporation formed for the exclusive benefit of the University. Under GASB Standards, the Foundation meets the requirements to be reported discretely in these financial statements; however, the Foundation is not included in Management's Discussion and Analysis. More information describing the relationship between the University and its discretely presented component unit can be found in Note 1A, Significant Accounting Policies.

Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), liabilities (current and noncurrent), and the net position (total assets and deferred outflows less total liabilities and deferred inflows) of the University. This condensed financial statement provides a comparative fiscal snapshot as of June 30, 2024, and June 30, 2023. This provides the readers of this statement with information on assets available to continue operations.

Condensed Statements of Net Position 6/30/2024 and 6/30/2023

	2024	2023	\$ Change	% Chg
Assets				
Current Assets	\$ 83,420,076.82	\$ 68,983,318.89	\$ 14,436,757.93	20.9%
Noncurrent Assets:				
Capital Assets, Net	239,099,335.35	244,986,996.12	(5,887,660.77)	-2.4%
Other	62,829,186.57	57,269,277.16	5,559,909.41	9.7%
Total Assets	385,348,598.74	371,239,592.17	14,109,006.57	3.8%
Total Deferred Outflows of Resources	32,467,309.55	28,147,723.57	4,319,585.98	15.3%
Liabilities				
Current Liabilities	16,584,532.37	14,206,252.10	2,378,280.27	16.7%
Long-Term Liabilities, Net	175,199,678.44	175,306,548.83	(106,870.39)	-0.1%
Other Noncurrent Liabilities	2,274,122.31	1,619,188.17	654,934.14	40.4%
Total Liabilities	194,058,333.12	191,131,989.10	2,926,344.02	1.5%
Total Deferred Inflows of Resources	32,819,568.14	43,749,040.98	(10,929,472.84)	-25.0%
Net Position*				
Net Investment in Capital Assets	154,292,937.87	154,706,186.88	(413,249.01)	-0.3%
Restricted:				
Nonexpendable	19,440,019.13	19,104,870.47	335,148.66	1.8%
Expendable	50,171,821.40	45,108,195.48	5,063,625.92	11.2%
Unrestricted	(32,966,771.37)	(54,412,967.17)	21,446,195.80	-39.4%
Total Net Position	\$ 190,938,007.03	\$ 164,506,285.66	\$ 26,431,721.37	16.1%

*Net Position categories are defined in Note 1N of the Notes to the Financial Statements.

As of June 30, 2024, total assets had a net increase of \$14.1 million for the year, primarily in current assets. The University's largest asset category was capital assets totaling \$239.1 million, which decreased by \$5.9 million compared to the prior year. This decrease was due to annual depreciation and amortization expenses exceeding asset additions.

The University's current assets totaled \$83.4 million, an increase of \$14.4 million as compared to the prior year. This increase was primarily due to an \$13.8 million increase in unrestricted cash resulting from a general increase in state funding, a \$3.1 million increase in the cash carryforward amount related to funds for the Faculty Realignment Incentive Program (FRIP) retirement funding that was granted in June 2024 and paid out in July 2024, and a general decrease in operating expenses during the year. The University's current assets covered current liabilities, resulting in a current ratio of \$5.03 in current assets for every \$1.00 in current liabilities.

Other noncurrent assets increased by \$5.6 million from the prior year largely due to a \$6.1 million increase in endowment investments resulting from changes in the market value of the investments, offset by a \$341 thousand decrease in noncurrent restricted cash resulting from increased activity in construction during the year.

The University recorded deferred outflows related to pensions and other postemployment benefits (OPEB) in the amount of \$18.9 million and \$13.0 million, respectively, on June 30, 2024. The \$4.3 million net increase is due to changes in actuarial valuations of the plans. For more information about the University's deferred outflows related to pensions and OPEB, refer to Notes 13 and 14 of the Notes to the Financial Statements, respectively.

Total deferred inflows of resources decreased by \$10.9 million primarily due to a \$13.5 million decrease in deferred inflows related to pensions and OPEB, offset by a \$2.6 million increase in deferred gain on refunding resulting from the Foundation refinancing their 2014 limited obligation bonds. The \$13.5 million decrease is due to differences between actual and projected earnings on plan investments and changes in actuarial assumptions. For more information about the University's deferred inflows related to pensions and OPEB, refer to Notes 13 and 14 of the Notes to the Financial Statements, respectively.

University liabilities totaled \$194.1 million on June 30, 2024, compared to \$191.1 million per the prior year, an increase of \$3.0 million. This primarily resulted from a \$2.4 million increase in current liabilities due to recording an additional payroll liability for the UNC System Faculty Realignment Incentive Program for contracts signed at year end.

The University's restricted expendable net position was \$50.2 million on June 30, 2024, compared to \$45.1 million in the prior year, an increase of \$5.1 million. This increase is primarily due to the increase in the value of endowment investments.

The University's unrestricted net position was a deficit of \$33.0 million on June 30, 2024, compared to a deficit of \$54.4 million in the prior year. This \$21.4 million or 39.4% decrease in the deficit was due primarily to the \$13.8 million increase in unrestricted cash discussed above along with changes in the University's pension and OPEB balances as compared to the prior year.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the activity that shows the changes in net position. The activity is represented by the revenues earned by the University, both operating and nonoperating, and the expenses incurred by the University, operating and nonoperating, as well as any other revenues earned by the University.

Operating revenues are received for providing goods and services to the various customers of the University. Operating expenses are used to acquire goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating activities since these are either investing, capital, or noncapital financing activities. Nonoperating expenses are expenses other than those involved in the normal operation of the University such as interest and fees on debt.

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Position 6/30/2024 and 6/30/2023

	2024	2023	\$ Change	% Chg
Operating Revenues:				
Student Tuition and Fees, Net	\$ 22,101,614.65	\$ 29,470,835.35	\$ (7,369,220.70)	-25.0%
Sales and Services, Net	19,555,210.66	22,250,139.48	(2,694,928.82)	-12.1%
Other	2,518,036.59	1,460,906.62	1,057,129.97	72.4%
Total Operating Revenues	44,174,861.90	53,181,881.45	(9,007,019.55)	-16.9%
Operating Expenses:				
Salaries and Benefits	79,520,472.78	65,283,474.07	14,236,998.71	21.8%
Supplies and Services	49,123,042.57	53,981,909.53	(4,858,866.96)	-9.0%
Scholarships and Fellowships	8,502,820.07	21,473,669.16	(12,970,849.09)	-60.4%
Utilities	3,820,835.07	4,143,612.66	(322,777.59)	-7.8%
Depreciation/Amortization	10,746,247.34	10,934,126.75	(187,879.41)	-1.7%
Total Operating Expenses	151,713,417.83	155,816,792.17	(4,103,374.34)	-2.6%
Operating Loss	(107,538,555.93)	(102,634,910.72)	(4,903,645.21)	4.8%
Nonoperating Revenues (Expenses):				
State Appropriations	73,669,726.00	71,695,469.00	1,974,257.00	2.8%
Student Financial Aid	25,711,956.75	23,434,481.81	2,277,474.94	9.7%
Federal Aid - COVID-19	1,226,262.73	19,158,716.29	(17,932,453.56)	-93.6%
Noncapital Contributions	24,328,711.10	15,770,157.69	8,558,553.41	54.3%
Investment Income, Net	9,047,881.61	1,038,307.12	8,009,574.49	771.4%
Interest and Fees on Debt	(2,967,762.46)	(3,495,488.11)	527,725.65	-15.1%
Other Nonoperating Expenses	(212,429.68)	(11,691.36)	(200,738.32)	1717.0%
Net Nonoperating Revenues	130,804,346.05	127,589,952.44	3,214,393.61	2.5%
Income Before Other Revenues	23,265,790.12	24,955,041.72	(1,689,251.60)	-6.8%
Capital Contributions	3,160,331.25	1,197,533.73	1,962,797.52	163.9%
Additions to Endowments	5,600.00	45,321.00	(39,721.00)	-87.6%
Total Other Revenues	3,165,931.25	1,242,854.73	1,923,076.52	154.7%
Increase in Net Position	26,431,721.37	26,197,896.45	233,824.92	0.9%
Net Position:				
Beginning of the Year	164,506,285.66	138,308,389.21	26,197,896.45	18.9%
End of the Year	\$ 190,938,007.03	\$ 164,506,285.66	\$ 26,431,721.37	16.1%

Total revenues for the fiscal year were \$181.3 million compared to \$185.5 million in the prior year, a decrease of \$4.2 million. Some of the highlights of the revenue accounts presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- Student tuition and fees (net) decreased by \$7.4 million due to the decline in enrollment from the prior year.
- State appropriations increased by \$2.0 million primarily due to increased funding appropriated by the State in fiscal year 2024.
- Student financial aid increased by \$2.3 million primarily resulting from more students qualifying for scholarships and federal grants, such as the federal Pell grant which increased by \$1.6 million. This increase also impacted the \$2.7 million decrease in sales and services (net) as the scholarship discount increased from prior year.

- Federal aid - COVID-19 decreased by \$18.0 million primarily due to the ending of the pandemic and the expiration of funding from HEERF (Higher Education Emergency Relief Fund).
- Noncapital contributions increased by \$8.6 million. This increase primarily resulted from an increased Title III Higher Education program funding along with a general increase of activity in several other nonexchange federal contracts and grants.
- Investment income (net) increased by \$8.0 million primarily due to improved market performance as compared to the prior year.
- Capital contributions increased by \$2.0 million as a result of receiving support from the State Capital Infrastructure Fund (SCIF) during the year.

Total expenses were \$154.9 million for fiscal year 2024, compared to \$159.3 million for fiscal year 2023, resulting in a net decrease of \$4.4 million. Key changes in operating expenses are identified as follows:

- Salaries and Benefits increased by \$14.2 million primarily due to the change in pension and OPEB expenses provided in Notes 13 and 14 of the Notes to the Financial Statements as well as a 4% legislative salary increase.
- Supplies and services decreased by \$4.9 million resulting from several factors including a decrease in maintenance agreements, and a decrease in purchases of computers and office equipment.
- Scholarships and fellowships decreased by \$13.0 million, primarily due to the expiration of the HEERF, and moving back to normalcy before the COVID-19 pandemic.

Capital Assets and Long-Term Debt

The University's capital assets, (net of accumulated depreciation/amortization) as of June 30, 2024, were \$239.1 million compared to \$245.0 million for the prior year, resulting in a net decrease of \$5.9 million. The decrease primarily resulted from net changes of an increase in construction in progress by \$1.3 million, as a result from numerous ongoing renovation projects across campus. In addition, depreciation and amortization expenses exceeding current year's additions by \$7.2 million. For more information about the University's capital asset holdings, refer to Note 6 of the Notes to the Financial Statements.

The University had \$75.4 million in total long-term debt on June 30, 2024, compared to \$82.6 million in the prior year, a decrease of \$7.2 million. The University continued to make all required debt service payments, and the refinancing of the Foundation's 2014 limited obligation bonds was completed on June 26, 2024. For more information about the University's long-term debt, refer to Note 8 of the Notes to the Financial Statements.

Highlights

Winston-Salem State University (WSSU) is a bold, vibrant, and diverse academic community that fosters creative thinking, analytical problem-solving, and depth of character that graduates need to transform themselves and their world. These values embody our motto, "Enter to Learn. Depart to Serve."

WSSU is nationally ranked for our affordability, value, and helping our graduates achieve social mobility. Social mobility can be a change in a person's socio-economic situation throughout their lifetime. Social mobility can be measured in terms of earnings, income, health, and education.

WSSU continues to maintain its ranking as #1 HBCU in the U.S for social mobility (College NET) and #1 University in North Carolina for economic mobility (New York Times).

The University launched a new brand campaign called “Rams Take Charge” during the prior fiscal year.” This brand sends a clear and bold message that WSSU leads the way in everything from academics and athletics to social justice and the arts. We are a team united in changing the lives of our students and communities. Our Rams have definitely taken charge as the University celebrated a few notable achievements:

- Three students were selected for NC Governor's HBCU Internship Program.
- Student awarded NC Space Grant to fuel research in growing crops in space.
- WSSU Student makes history as first HBCU intern at NC Real Estate Commission.
- WSSU's nursing program was named the best program for Adult Learners.
- Integrated Marketing Communication department won two Telly Awards.

Economic Outlook

The University's senior leadership, faculty, and staff are dedicated to the student's success, and they continue to support, instruct, and interact with our students at every moment of opportunity. The University strategic plan, “2022 - 2030 Unleash the Genius”, is bold and is a chance to look outside of tradition and audaciously move into spaces that may be uncomfortable but necessary for our future growth and development. It has provided the University with the chance to unleash genius within the campus to become creative and successful.

The University maintains strong admission requirements for incoming first-year freshmen and transfer students as the institution continues to improve our enrollment of recruiting top-notch students. The University is committed to addressing the enrollment levels by re-evaluating our initiatives to provide excellence to our students and their long-term goals. Another aspect of enrollment is maintaining the retention rates, which will include all the student population. With those efforts being put in place, the University experienced a slight increase in enrollment in Fall 2024 compared with the previous fall academic year.

Management believes that the University is well positioned to continue its strong financial condition and level of excellence in providing service to students, the community, and governmental agencies. This flexibility, along with the University's ongoing efforts toward revenue diversification, targeted recruitment, and retention initiatives, along with cost containment, will enable the University to provide the necessary resources to fulfill the University's new strategic plan, “2022 - 2030 Unleash the Genius.”

A crucial element to the University's future will continue to be our relationship with the State of North Carolina as a member of the 17-constituent institutions of the University of North Carolina System. In collaboration with the governance structure, Winston-Salem State University works to manage tuition and fee guidelines to ensure the University is competitive and affordable while providing an outstanding education for our students. The University receives support, guidance, and management oversight under this structure. The University System is an integral asset to the State of North Carolina.

The University management is confident that the University's financial condition and performance will remain strong during the present economic uncertainties. Management continues to maintain a close watch over resources to ensure the ability to react to unknown internal and external issues and sustain its current high-quality financial position.



Financial Statements

Winston-Salem State University
Statement of Net Position
June 30, 2024

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 68,390,757.50
Restricted Cash and Cash Equivalents	10,244,331.52
Restricted Short-Term Investments	5,495.82
Receivables, Net (Note 5)	3,878,041.50
Inventories	284,679.40
Notes Receivable, Net (Note 5)	463,329.12
Leases Receivable (Note 9)	153,441.96
Total Current Assets	<u>83,420,076.82</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	7,796,067.31
Endowment Investments	54,878,107.75
Leases Receivable (Note 9)	155,011.51
Capital Assets - Nondepreciable (Note 6)	11,034,618.61
Capital Assets - Depreciable, Net (Note 6)	228,064,716.74
Total Noncurrent Assets	<u>301,928,521.92</u>
Total Assets	<u>385,348,598.74</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	629,025.33
Deferred Outflows Related to Pensions	18,874,265.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	12,964,019.22
Total Deferred Outflows of Resources	<u>32,467,309.55</u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	4,087,185.83
Unearned Revenue	5,994,766.84
Interest Payable	601,811.56
Long-Term Liabilities - Current Portion - Due to University Component Unit (Note 8)	1,180,000.00
Long-Term Liabilities - Current Portion (Note 8)	4,720,768.14
Total Current Liabilities	<u>16,584,532.37</u>

Noncurrent Liabilities:

Deposits Payable	821,214.39
Funds Held for Others	1,452,907.92
Long-Term Liabilities - Due to University Component Unit (Note 8)	23,035,000.00
Long-Term Liabilities, Net (Note 8)	152,164,678.44
Total Noncurrent Liabilities	<u>177,473,800.75</u>
Total Liabilities	<u>194,058,333.12</u>

Winston-Salem State University
Statement of Net Position
June 30, 2024

Exhibit A-1
Page 2 of 2

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Refunding	4,705,317.00
Deferred Inflows Related to Pensions	614,333.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	27,218,627.00
Deferred Inflows for Leases	<u>281,291.14</u>
Total Deferred Inflows of Resources	<u>32,819,568.14</u>

NET POSITION

Net Investment in Capital Assets	<u>154,292,937.87</u>
Restricted:	
Nonexpendable:	
True Endowments	19,109,192.31
Student Loans	<u>330,826.82</u>
Total Restricted-Nonexpendable Net Position	<u>19,440,019.13</u>
Expendable:	
Scholarships, Research, Instruction, and Other	42,711,570.12
Student Loans	243,984.15
Capital Projects	<u>7,216,267.13</u>
Total Restricted-Expendable Net Position	<u>50,171,821.40</u>
Unrestricted	<u>(32,966,771.37)</u>
Total Net Position	<u><u>\$ 190,938,007.03</u></u>

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

Winston-Salem 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 11)	\$ 22,101,614.65
Sales and Services, Net (Note 11)	19,555,210.66
Other Operating Revenues	<u>2,518,036.59</u>
Total Operating Revenues	<u>44,174,861.90</u>

OPERATING EXPENSES

Salaries and Benefits	79,520,472.78
Supplies and Services	49,123,042.57
Scholarships and Fellowships	8,502,820.07
Utilities	3,820,835.07
Depreciation/Amortization	<u>10,746,247.34</u>
Total Operating Expenses	<u>151,713,417.83</u>
Operating Loss	<u>(107,538,555.93)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	73,669,726.00
Student Financial Aid	25,711,956.75
Federal Aid - COVID-19	1,226,262.73
Noncapital Contributions	24,328,711.10
Investment Income (Net of Investment Expense of \$179,336.33)	9,047,881.61
Interest and Fees on Debt	(2,967,762.46)
Other Nonoperating Expenses	<u>(212,429.68)</u>
Net Nonoperating Revenues	<u>130,804,346.05</u>
Income Before Other Revenues	<u>23,265,790.12</u>
Capital Contributions	3,160,331.25
Additions to Endowments	<u>5,600.00</u>
Total Other Revenues	<u>3,165,931.25</u>
Increase in Net Position	26,431,721.37

NET POSITION

Net Position - July 1, 2023	<u>164,506,285.66</u>
Net Position - June 30, 2024	<u>\$ 190,938,007.03</u>

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

Winston-Salem State University
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 42,375,411.41
Payments to Employees and Fringe Benefits	(87,058,745.51)
Payments to Vendors and Suppliers	(53,483,108.77)
Payments for Scholarships and Fellowships	(8,502,820.07)
Loans Issued	(380,427.89)
Student Deposits Received	821,214.39
Student Deposits Returned	(171,907.51)
William D. Ford Direct Lending Receipts	32,679,687.00
William D. Ford Direct Lending Disbursements	(32,679,687.00)
Related Activity Agency Receipts	5,627.26
Other Receipts	2,305,606.92
	<hr/>
Net Cash Used by Operating Activities	(104,089,149.77)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	73,669,726.00
Student Financial Aid	25,711,956.75
Federal Aid - COVID-19	1,226,262.73
Noncapital Contributions	24,100,775.66
Additions to Endowments	5,600.00
	<hr/>
Total Cash Provided by Noncapital Financing Activities	124,714,321.14

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Capital Contributions	3,160,331.25
Proceeds from Lease Arrangements	16,868.55
Acquisition and Construction of Capital Assets	(4,444,133.66)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(5,523,647.42)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(3,729,043.86)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(10,519,625.14)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	2,997,705.92
Purchase of Investments and Related Fees	(5,495.82)
	<hr/>
Net Cash Provided by Investing Activities	2,992,210.10
	<hr/>
Net Increase in Cash and Cash Equivalents	13,097,756.33
Cash and Cash Equivalents - July 1, 2023	73,333,400.00
	<hr/>
Cash and Cash Equivalents - June 30, 2024	\$ 86,431,156.33

Winston-Salem State University
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (107,538,555.93)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	10,746,247.34
Allowances, Write-Offs, and Amortizations	2,173,391.34
Other Nonoperating Income (Expenses)	(212,429.67)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(2,649,741.78)
Inventories	1,743.98
Notes Receivable, Net	(380,427.89)
Deferred Outflows Related to Pensions	(2,238,747.00)
Deferred Outflows Related to Other Postemployment Benefits	(2,112,713.22)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	2,026,315.87
Funds Held for Others	5,627.26
Unearned Revenue	1,194,936.54
Net Pension Liability	3,643,233.00
Net Other Postemployment Benefits Liability	6,390,701.00
Compensated Absences	487,847.36
Deposits Payable	649,306.88
Workers' Compensation Liability	(2,797,961.85)
Deferred Inflows Related to Pensions	(499,852.00)
Deferred Inflows Related to Other Postemployment Benefits	(12,978,071.00)
Net Cash Used by Operating Activities	<u><u>\$ (104,089,149.77)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 1,427,360.41
Change in Fair Value of Investments	6,118,904.31
Amortization of Deferred Gain on Refunding Bonds	(156,530.10)
Amortization of Deferred Loss on Refunding Bonds	31,874.23
Deferred Economic Gain on Limited Obligation Bonds	2,840,000.00
Amortization of Bond Premiums	(328,338.02)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(87,842.00)

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

Winston-Salem State University Foundation, Inc. and Subsidiary
Consolidated Statement of Financial Position
June 30, 2024

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	3,370,748
Restricted Cash		4,455,044
Certificate of Deposit		1,653,578
Receivables		18,337
Prepaid Expenses		8,626
Lease Obligation Receivable, Net - Due from University		22,639,392
Investment Securities		60,705,349
Property and Equipment, Net		<u>5,028,088</u>
Total Assets	\$	<u>97,879,162</u>

LIABILITIES

Accounts Payable and Other Accruals	\$	1,219,414
Accrued Interest & Bond Related Liabilities		941,017
Bonds Payable, Net		<u>25,044,048</u>
Total Liabilities		<u>27,204,479</u>

NET ASSETS

Without Donor Restrictions:		
Undesignated		13,404,534
Board Designated for Endowment		<u>16,617,997</u>
Total Net Assets Without Donor Restrictions		<u>30,022,531</u>
With Donor Restrictions		<u>40,652,152</u>
Total Net Assets		<u>70,674,683</u>
Total Liabilities and Net Assets	\$	<u>97,879,162</u>

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

Winston-Salem State University Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2024

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Gifts and Grants	\$ 437,722	\$ 4,446,641	\$ 4,884,363
Investment Income, Net	117,023	-	117,023
Realized and Unrealized Gains on Investments	2,477,977	4,584,575	7,062,552
Administrative Fees	294,311	-	294,311
Program Income	269,344	597,156	866,500
Lease Income	121,125	-	121,125
Gain of Early Extinguishment of Debt	2,685,498	61,681	2,747,179
	6,403,000	9,690,053	16,093,053
Net Assets Released from Restrictions	4,499,439	(4,499,439)	-
Total Support and Revenue	10,902,439	5,190,614	16,093,053
EXPENSES			
Program Services	11,035,328	-	11,035,328
Management and General	1,565,745	-	1,565,745
Fundraising	178	-	178
Total Expenses	12,601,251	-	12,601,251
Change in Net Assets	(1,698,812)	5,190,614	3,491,802
NET ASSETS			
Net Assets, Beginning of Year	31,721,343	35,461,538	67,182,881
Net Assets, End of Year	\$ 30,022,531	\$ 40,652,152	\$ 70,674,683

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. Winston-Salem 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 unit. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component unit is discretely presented in the University's financial statements. See below for further discussion of the University's component unit. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit - The Winston-Salem State University Foundation, Inc. and Subsidiary (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University. The Winston-Salem State University Housing Foundation, LLC is the wholly owned subsidiary of the Foundation.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of not less than five and not more than 27 elected directors, with the number at any given time being set by the Board of Directors. In addition to the elected directors, the Chancellor and Vice Chancellor for University Advancement of the University shall be voting members of the Board. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2024, the Foundation distributed \$1,497,185.00 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Winston-Salem State University Foundation, Inc. and Subsidiary, 304 Blair Hall, 601 Martin Luther King, Jr. Drive, Winston-Salem, NC 27110 or by calling (336) 750-3005.

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 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.

Money market mutual funds are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts.

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

G. Inventories - Inventories, consisting of fuel oil held for consumption, are valued at cost using the last invoice cost method. Inventories of postage are valued at retail cost.

H. Capital Assets - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to

July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The University capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for purchased computer software which is capitalized when the value or cost is \$100,000 or greater. 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, if significant.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-100 years
Machinery and Equipment	2-30 years
General Infrastructure	10-50 years
Computer Software	2-7 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 \$5,000 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 \$50,000 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 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, limited obligation bonds, and a note from direct borrowing. 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. The University amortizes bond premiums 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 13 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

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

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

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

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

- M. Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized

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

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

Net Investment in Capital Assets - This represents the University's total investment in capital assets, net of outstanding liabilities related to those capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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

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

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

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

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 copy centers, motor pool, postal services, and facility rentals. 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 \$86,431,156.33, 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.

B. Investments

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

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

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

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

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

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

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University 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.

UNC Investment Fund, LLC - At June 30, 2024, the University's investments include \$54,878,107.75, 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 Type	Amount	Investment Maturities (in Years)
		Less Than 1
Debt Securities		
Money Market Mutual Funds	\$ 5,495.82	\$ 5,495.82

At June 30, 2024, the Money Market Mutual Funds, with an amortized cost of \$5,495.82, were rated AAAM by Standard and Poor's.

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

Investment Type	Amount
Debt Securities	
Money Market Mutual Funds	\$ 5,495.82
Other Securities	
UNC Investment Fund	54,878,107.75
Total Investments	\$ 54,883,603.57

Component Unit - Investments of the University's discretely presented 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. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Type	Amount
UNC Investment Fund, LLC	\$ 41,763,664
Stocks, Including Exchange-Traded Funds	178,777
Mutual Funds	16,537,566
Money Market Funds	2,225,342
Total Investments	\$ 60,705,349

Note 3 - Fair Value Measurements

University - To the extent available, the University's investments 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 in active markets that a government can access at the measurement date.
Level 2	Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset, either directly or indirectly.
Level 3	Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

Short-Term Investment Fund - At year-end, the University's investments held in the STIF were valued at \$86,431,156.33. 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 - At year-end, the University's investments held in the UNC Investment Fund were valued at \$54,878,107.75. 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.

Component Unit - Because the Foundation reports under the FASB reporting model, the disclosure of fair value measurements differ from the GASB reporting model used by the University.

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value are categorized depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by

observable data for substantially the full term of the assets or liabilities. Level 3 inputs are unobservable for the asset or liability, including the Foundation's own assumptions in determining the fair value of assets or liabilities.

Valuation techniques used in the fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

The following is a description of the valuation methodologies used by the Foundation for assets measured at fair value:

- **UNC Investment Fund, LLC** - Recorded at the amount that represents the Foundation's equity position in the UNC Investment Fund, LLC. This pooled investment fund determines ownership on a market unit valuation basis each month. The fund is a broadly diversified portfolio of assets including domestic and international equities, private equities, real estate, commodities, and fixed income securities. Due to the significance of alternative investments in the fund which have limited or no observable market data necessary to determine fair value, the entire fund is considered to fall within Level 3 measurements in the fair value hierarchy under GAAP.
- **Stocks, Mutual Funds, and Money Market Funds** - Valued at the closing price reported on the active markets on which individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Investments				
Money Market Funds	\$ 2,225,342	\$ -	\$ -	\$ 2,225,342
Mutual Funds	16,537,566	-	-	16,537,566
Stocks	178,777	-	-	178,777
UNC Investment Fund, LLC	-	-	41,763,664	41,763,664
Total Investments	<u>\$ 18,941,685</u>	<u>\$ -</u>	<u>\$ 41,763,664</u>	<u>\$ 60,705,349</u>

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2024:

Balance, Beginning of Year	\$ 35,988,495
Purchases	1,843,169
Redemptions	(597,326)
Unrealized and Realized Gains	4,665,967
Investment Advisory Fees	(136,641)
Balance, End of Year	<u>\$ 41,763,664</u>

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). The total spending rate is calculated annually by taking the sum of the market value of the endowment investments for the preceding 12 quarters and dividing the result by 12. For the fiscal year ended June 30, 2024, the Board of Trustees approved spending from the average value shall be at a rate of four and a half percent, paid out annually. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2024, net appreciation of \$35,412,173.83 was available to be spent, all of which was classified in net position as restricted expendable for scholarships, research, instruction, and other as it is restricted for specific purposes.

Note 5 - Receivables

Receivables at June 30, 2024, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 4,750,593.51	\$ 4,036,671.15	\$ 713,922.36
Accounts	121,217.62	-	121,217.62
Intergovernmental	2,799,457.52	-	2,799,457.52
Other	243,444.00	-	243,444.00
Total Current Receivables	\$ 7,914,712.65	\$ 4,036,671.15	\$ 3,878,041.50
Notes Receivable - Current:			
Institutional Student Loan Programs	\$ 507,595.68	\$ 44,266.56	\$ 463,329.12

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	Increases	Decreases	Balance June 30, 2024
Capital Assets, Nondepreciable:				
Land	\$ 5,231,051.56	\$ -	\$ -	\$ 5,231,051.56
Art, Literature, and Artifacts	953,772.00	-	-	953,772.00
Construction in Progress	3,569,410.94	2,611,686.34	1,331,302.23	4,849,795.05
Total Capital Assets, Nondepreciable	9,754,234.50	2,611,686.34	1,331,302.23	11,034,618.61
Capital Assets, Depreciable:				
Buildings	332,603,726.16	884,213.40	-	333,487,939.56
Machinery and Equipment	24,722,194.16	1,594,083.98	-	26,316,278.14
General Infrastructure	19,385,761.15	454,553.83	-	19,840,314.98
Computer Software	358,251.00	-	-	358,251.00
Right-to-Use Leased Land	149,619.18	-	-	149,619.18
Right-to-Use Leased Buildings	1,614,436.48	-	-	1,614,436.48
Right-to-Use Subscription Assets	4,808,168.95	645,351.25	-	5,453,520.20
Total Capital Assets, Depreciable	383,642,157.08	3,578,202.46	-	387,220,359.54
Less Accumulated Depreciation/Amortization for:				
Buildings	119,939,823.70	7,551,220.99	-	127,491,044.69
Machinery and Equipment	16,099,907.74	1,143,698.18	-	17,243,605.92
General Infrastructure	10,502,260.62	596,606.00	-	11,098,866.62
Computer Software	358,251.00	-	-	358,251.00
Right-to-Use Leased Land	15,959.38	7,979.69	-	23,939.07
Right-to-Use Leased Buildings	202,861.12	101,430.56	-	304,291.68
Right-to-Use Subscription Assets	1,290,331.90	1,345,311.92	-	2,635,643.82
Total Accumulated Depreciation/Amortization	148,409,395.46	10,746,247.34	-	159,155,642.80
Total Capital Assets, Depreciable, Net	235,232,761.62	(7,168,044.88)	-	228,064,716.74
Capital Assets, Net	\$ 244,986,996.12	\$ (4,556,358.54)	\$ 1,331,302.23	\$ 239,099,335.35

As of June 30, 2024, the total amount of right-to-use leased assets was \$1,764,055.66 and the related accumulated amortization was \$328,230.75.

Note 7 - 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	\$ 719,550.95
Accounts Payable - Capital Assets	756,679.29
Accrued Payroll	2,580,442.76
Contract Retainage	25,329.87
Other	5,182.96
Total Current Accounts Payable and Accrued Liabilities	\$ 4,087,185.83

Note 8 - Long-Term Liabilities

University

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	\$ 44,245,000.00	\$ -	\$ 1,680,000.00	\$ 42,565,000.00	\$ 1,775,000.00
Plus: Unamortized Premium	6,768,514.33	-	328,338.02	6,440,176.31	-
Total Revenue Bonds Payable, Net	51,013,514.33	-	2,008,338.02	49,005,176.31	1,775,000.00
Note from Direct Borrowing	2,742,150.54	-	584,319.74	2,157,830.80	620,709.34
Total Long-Term Debt	53,755,664.87	-	2,592,657.76	51,163,007.11	2,395,709.34
Other Long-Term Liabilities					
Lease Liabilities	1,519,626.97	-	134,500.26	1,385,126.71	147,759.01
Subscription (SBITA) Liabilities	3,370,351.50	645,351.25	1,334,827.42	2,680,875.33	844,993.63
Employee Benefits					
Compensated Absences	4,104,439.00	3,258,594.36	2,770,747.00	4,592,286.36	1,013,192.36
Net Pension Liability	25,657,777.00	3,643,233.00	-	29,301,010.00	-
Net Other Postemployment Benefits Liability	60,629,310.00	6,309,963.00	7,104.00	66,932,169.00	-
Workers' Compensation	3,628,933.92	31,432.37	2,829,394.22	830,972.07	319,113.80
Total Other Long-Term Liabilities	98,910,438.39	13,888,573.98	7,076,572.90	105,722,439.47	2,325,058.80
Total Long-Term Liabilities, Net	\$ 152,666,103.26	\$ 13,888,573.98	\$ 9,669,230.66	\$ 156,885,446.58	\$ 4,720,768.14
Other Long-Term Debt					
Limited Obligation Bonds					
Due to University Component Unit	\$ 28,845,000.00	\$ -	\$ 4,630,000.00	\$ 24,215,000.00	\$ 1,180,000.00

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 9.

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

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

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

B. Revenue Bonds Payable and Limited Obligation Bonds - The University was indebted for revenue bonds payable and limited obligation bonds 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
Revenue Bonds Payable					
Housing and Dining System					
2017 General Revenue Bonds	2017	5.00%	10/01/2046	\$23,589,748.95	\$ 20,757,696.00
2022 General Revenue Bonds (A)	2022	4.00%-5.00%	04/01/2043	11,149,652.00	10,075,285.00
Total Housing and Dining System				34,739,400.95	30,832,981.00
Student Services System					
2017 General Revenue Bonds	2017	5.00%	10/01/2046	1,655,251.05	1,457,304.00
2022 General Revenue Bonds (A)	2022	4.00%-5.00%	04/01/2043	7,132,084.00	6,444,845.00
Total Student Services System				8,787,335.05	7,902,149.00
Parking System					
2022 General Revenue Bonds (A)	2022	4.00%-5.00%	04/01/2043	4,238,264.00	3,829,870.00
Total Revenue Bonds Payable (principal only)				\$47,765,000.00	42,565,000.00
Plus: Unamortized Premium					6,440,176.31
Total Revenue Bonds Payable, Net					\$ 49,005,176.31
Limited Obligation Bonds - Due to University Component Unit					
Refund Series 2014 Limited Obligation Bonds	2024	5.00%	06/01/2035	\$14,970,000.00	\$ 14,970,000.00
2016 Limited Obligation Bonds	2016	5.00%	06/01/2036	13,235,000.00	9,245,000.00
Total Limited Obligation Bonds - Due to University Component Unit				\$28,205,000.00	\$ 24,215,000.00

(A) Winston-Salem State University 2022 General Revenue Bonds, Series 2022 current refunding of General Revenue Bonds, Series 2013.

C. Note from Direct Borrowing - The University was indebted for a note from direct borrowing for the purpose shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2024
Energy Performance Contract	Siemens Public, Inc.	3.81%	09/30/2027	<u>\$ 6,517,358.00</u>	<u>\$ 2,157,830.80</u>

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

Fiscal Year	Annual Requirements					
	Revenue Bonds Payable		Limited Obligation Bonds - Due to University Component Unit		Note from Direct Borrowing	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,775,000.00	\$ 1,997,975.00	\$ 1,180,000.00	\$ 1,158,770.83	\$ 620,709.34	\$ 73,467.20
2026	1,870,000.00	1,918,625.00	1,935,000.00	1,151,750.00	658,781.99	49,278.37
2027	1,965,000.00	1,824,375.00	2,025,000.00	1,055,000.00	698,606.90	23,614.08
2028	2,095,000.00	1,725,000.00	2,135,000.00	953,750.00	179,732.57	1,712.03
2029	2,205,000.00	1,619,250.00	2,245,000.00	847,000.00	-	-
2030-2034	12,775,000.00	6,325,950.00	11,855,000.00	2,436,250.00	-	-
2035-2039	8,900,000.00	3,619,075.00	2,840,000.00	191,750.00	-	-
2040-2044	7,195,000.00	1,824,850.00	-	-	-	-
2045-2047	3,785,000.00	290,125.00	-	-	-	-
Total Requirements	<u>\$ 42,565,000.00</u>	<u>\$ 21,145,225.00</u>	<u>\$ 24,215,000.00</u>	<u>\$ 7,794,270.83</u>	<u>\$ 2,157,830.80</u>	<u>\$ 148,071.68</u>

Interest on variable rate debt is predetermined in each of the bond covenants.

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 two revenue bond issuances (Series 2017 and 2022) for which available funds of the University are pledged toward debt payments. These agreements also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) a failure to pay the principal of or premium, if any, on any bond when the same becomes due and payable, whether at the stated maturity thereof or on proceedings for redemption including sinking fund redemptions; (2) a failure to pay any installment of interest when the same becomes due and payable; and (3) a failure by the Board to observe and perform any covenant, condition, agreement or provision (other than as described in subsections (1) and (2) above) contained in the bonds or in the General Indenture on the part of the Board to be observed or performed, which failure continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Board by the Trustee, which may give such notice in its discretion and must give such notice at the written request of Owners of not less than 25% of principal amount of the bonds, unless the Trustee, or the Trustee and Owners of a principal amount of bonds not less than the principal amount of bonds the Owners of which requested such notice, as the case may be, agrees in writing to an extension of such period before its expiration.

On the occurrence and continuance of an Event of Default, the Trustee may, or if required by a majority of the Owners of the bonds, must, declare the bonds to be immediately due

and payable, whereupon they will, without further action, become due and payable, anything in the General Indenture or in the bonds to the contrary notwithstanding.

Limited Obligation Bonds - Due to University Component Unit - The University has limited obligation bonds due to the Foundation for which the University is responsible for via a use agreement. This limited obligation is payable solely from (1) net project revenues and (2) dormitory system revenues after payment of the University's general revenue debt. These agreements also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay any principal and interest when due, or (2) the University fails to observe and perform any other covenant, condition, or agreement on its part to be observed or performed for a period of 30 days after written notice specifying such failure and requesting that it be remedied.

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

Note from Direct Borrowing - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for the Siemens Public Guaranteed Energy Savings Installment Financing Agreement dated September 15, 2011. This agreement also contains provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due; (2) an event of nonappropriation from the State occurs; (3) insurance coverage on the asset is not maintained; or (4) the University fails to perform any warranty, covenant, condition, or agreement within thirty days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within thirty days.

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

Component Unit

Bonds Payable - Three student housing facilities have been financed through the issuance of bonds.

In June 2024, \$14,970,000 of Series 2024 Limited Obligation Refunding Bonds were issued to refinance the Series 2014 bonds. The original purpose of this debt was to construct two student residence halls for which the University leases from the Foundation. These bonds mature at various intervals through 2035, and bear interest at a fixed rate of 5%.

In September 2016, the Foundation issued \$13,235,000 in Series 2016 Limited Obligation Refunding Bonds (Winston-Salem State University Student Housing Project). The original

purpose of this debt was to construct Foundation Heights, a student residence hall, for which the University leases from the Foundation. These bonds mature at various intervals through 2036, and bear interest at a fixed rate of 5%.

Bonds payable are as follows at June 30, 2024:

	Amount
Series 2016 Bonds	\$ 9,245,000
Series 2024 Bonds	14,970,000
Gross Bonds Payable	24,215,000
Unamortized Bond Premium	1,443,285
Unamortized Debt Issuance Costs	(614,237)
Total Bonds Payable, Net	\$ 25,044,048

Scheduled maturities of the bonds as follows:

Fiscal Year	Amount
2025	\$ 1,180,000
2026	1,935,000
2027	2,025,000
2028	2,135,000
2029	2,245,000
Thereafter	14,695,000
Total Requirements	\$ 24,215,000

Unamortized bond premium is amortized over the lives of the related bond issues using the interest method. Amortization of the bond premium amounted to \$131,208 for the year ended June 30, 2024.

In connection with the financing arrangements for the construction of the student housing facilities, the Foundation paid certain fees and expenses. These debt issuance costs, including insurance premiums and other issuance costs, are being amortized over the terms of the bonds using the interest method. Amortization of debt issuance costs was \$16,894 for the year ended June 30, 2024.

Note 9 - Leases and Subscription-Based Information Technology Arrangements

A. Lessor Arrangement - The University leases a building to an external party. The lease is a three-year agreement with the option to renew for an additional two years (management considers likely to be exercised) for the rental of the University's Child Development Center by Family Services, Inc. The lease receivable and related deferred inflows of resources are recorded based on the present value of expected receipts over the term of the lease. The expected receipts are discounted using the University's estimated incremental borrowing 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 the lessor arrangement totaling \$135,019.74, and nonoperating lease interest income totaling \$4,111.71.

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

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2024	Current Portion	Lease Terms	Interest Rate
Lessor:					
Building	1	\$ 308,453.47	\$ 153,441.96	5 Years	1.02%

B. Lessee Arrangements - The University has lease agreements for the right to use land and a building from an external party. The leases expire at various dates. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the respective lease term. The expected payments are discounted using the University's estimated incremental borrowing rate. During the year the University did not recognize any variable payment amounts.

The lease for the right-to-use land is between the City of Winston-Salem (lessor) and the University (lessee) for the use of land known as Civitan Park for a practice football facility and an eight-lane track. The agreement commenced on April 1, 2007, and terminates on March 31, 2040, with a fixed payment schedule over the life of the lease.

The lease for the right-to-use building is between the City of Winston-Salem (lessor) and the University (lessee) for the use of the Bowman Gray Stadium Fieldhouse. The agreement commenced on September 1, 2006, and terminates on May 1, 2037, with a fixed payment schedule over the life of the lease.

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	Interest Rate
Lessee:					
Right-to-Use Leased Land	1	\$ 134,546.92	\$ 5,549.51	15 Years	2.46%
Right-to Use Leased Building	1	1,250,579.79	142,209.50	7 Years	2.21%
Total	2	\$1,385,126.71	\$ 147,759.01		

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 University's estimated incremental borrowing rate. During the year the University did not recognize any variable payment amounts.

Notes to the Financial Statements

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	11	\$2,680,875.33	\$ 844,993.63	2 - 5.5 Years	2.19% - 2.70%

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

Fiscal Year	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 147,759.01	\$ 31,093.64	\$ 844,993.63	\$ 70,138.05
2026	156,321.00	27,797.21	898,561.00	48,399.04
2027	170,082.20	24,309.57	462,426.83	25,270.17
2028	184,158.37	20,515.15	474,893.87	12,803.14
2029	198,556.81	16,406.92	-	-
2030-2034	469,567.61	24,918.18	-	-
2035-2039	58,681.71	4,482.26	-	-
Total Requirements	\$ 1,385,126.71	\$ 149,522.93	\$ 2,680,875.33	\$ 156,610.40

Note 10 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (11,041,078.00)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(81,186,776.78)
Effect on Unrestricted Net Position	(92,227,854.78)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	59,261,083.41
Total Unrestricted Net Position	\$ (32,966,771.37)

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

Note 11 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$37,195,098.02</u>	<u>\$14,165,916.15</u>	<u>\$ 927,567.22</u>	<u>\$22,101,614.65</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$17,978,772.88	\$ 7,142,454.31	\$ 628,027.08	\$10,208,291.49
Dining	10,153,841.23	2,218,297.89	320,292.71	7,615,250.63
Student Union Services	396,636.66	-	108,450.26	288,186.40
Health, Physical Education, and Recreation Services	108,096.92	-	53,079.45	55,017.47
Parking	939,357.00	-	11,823.11	927,533.89
Athletic	541,030.71	-	121,599.93	419,430.78
Other	41,500.00	-	-	41,500.00
Total Sales and Services, Net	<u>\$30,159,235.40</u>	<u>\$ 9,360,752.20</u>	<u>\$1,243,272.54</u>	<u>\$19,555,210.66</u>

Note 12 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$39,185,538.26	\$ 6,507,937.76	\$ -	\$ -	\$ -	\$ 45,693,476.02
Research	1,730,884.99	4,852,688.63	-	-	-	6,583,573.62
Public Service	539,460.13	301,236.32	-	-	-	840,696.45
Academic Support	5,774,561.29	1,849,385.34	-	-	-	7,623,946.63
Student Services	3,397,122.59	1,121,269.74	-	-	-	4,518,392.33
Institutional Support	12,327,444.13	6,974,006.67	-	-	-	19,301,450.80
Operations and Maintenance of Plant	7,542,618.28	9,123,173.61	-	2,945,092.59	-	19,610,884.48
Student Financial Aid	560,704.05	-	8,502,820.07	-	-	9,063,524.12
Auxiliary Enterprises	8,462,139.06	18,393,344.50	-	875,742.48	-	27,731,226.04
Depreciation/Amortization	-	-	-	-	10,746,247.34	10,746,247.34
Total Operating Expenses	<u>\$79,520,472.78</u>	<u>\$49,123,042.57</u>	<u>\$8,502,820.07</u>	<u>\$3,820,835.07</u>	<u>\$10,746,247.34</u>	<u>\$151,713,417.83</u>

Note 13 - Pension Plans

A. Defined Benefit Plan

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

colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with 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 \$2,166,277.92, and the University's contributions were \$6,368,857.07 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 \$29,301,010.00 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 0.17575%, which was an increase of 0.00288 from its proportion measured as of June 30, 2022, which was 0.17287%.

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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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:

<u>Net Pension Liability</u>			
<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>	
\$ 50,302,968.16	\$ 29,301,010.00	\$ 11,975,075.99	

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 \$7,507,181.00. 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	\$ 2,388,725.00	\$ 216,262.00
Changes of Assumptions	1,029,013.00	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,160,328.93	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	927,341.00	398,071.00
Contributions Subsequent to the Measurement Date	6,368,857.07	-
Total	\$ 18,874,265.00	\$ 614,333.00

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	\$ 3,832,622.00
2026	2,153,288.00
2027	5,556,580.00
2028	348,584.93
Total	\$ 11,891,074.93

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 \$66,678,884.57, of which \$22,285,101.91 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$1,337,106.11 and \$1,524,300.97, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions. A total of \$204,550.25 in forfeitures was reflected in pension expense for the fiscal year 2024.

Note 14 - Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 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 15. 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 \$4,169,027.00 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 \$87,842.00.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the 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 \$64,228.71 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 \$66,866,432.00 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 0.25093%, which was a decrease of 0.00408 from its proportion measured as of June 30, 2022, which was 0.25501%.

Disability Income Plan of North Carolina: At June 30, 2024, the University reported a liability of \$65,737.00 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 0.24717%, which was an increase of 0.00231 from its proportion measured as of June 30, 2022, which was 0.24486%.

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	\$	78,881,627.10	\$ 66,866,432.00	\$ 57,080,770.99
		1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$	79,025.19	\$ 65,737.00	\$ 52,207.25

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	\$	55,204,196.00	\$ 66,866,432.00	\$ 81,904,535.65

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	\$ (4,546,096.00)
DIPNC	104,889.00
Total OPEB Expense	\$ (4,441,207.00)

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	\$ 736,330.00	\$ 57,610.00	\$ 793,940.00
Changes of Assumptions	7,243,670.00	4,790.00	7,248,460.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	534,163.00	85,862.00	620,025.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	68,338.51	68,338.51
Contributions Subsequent to the Measurement Date	4,169,027.00	64,228.71	4,233,255.71
Total	\$ 12,683,190.00	\$ 280,829.22	\$ 12,964,019.22

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 65,516.00	\$ 36,411.00	\$ 101,927.00
Changes of Assumptions	17,839,424.00	11,222.00	17,850,646.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	9,266,054.00	-	9,266,054.00
Total	\$ 27,170,994.00	\$ 47,633.00	\$ 27,218,627.00

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:**

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2025	\$ (7,935,705.00)	\$ 45,477.00
2026	(7,628,157.00)	32,576.00
2027	(4,031,102.00)	40,532.00
2028	938,133.00	21,385.00
2029	-	8,755.00
Thereafter	-	20,242.51
Total	<u>\$ (18,656,831.00)</u>	<u>\$ 168,967.51</u>

Note 15 - Risk Management

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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.

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. 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. The University also purchased through the Fund "all risk" coverage against losses caused by fire, windstorm or hail, explosion, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, volcanic action, falling objects, weight of snow, ice or sleet, water damage, theft, and any other loss not specifically excluded on certain buildings and contents.

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. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible.

4. Statewide Workers' Compensation Program

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

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

Note 16 - Commitments and Contingencies

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$4,529,206.74 and on other purchases were \$383,298.46 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.



Required Supplementary Information

Winston-Salem 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 C-1

Teachers' and State Employees' Retirement System	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net Pension Liability	0.17575%	0.17287%	0.18885%	0.19331%	0.20813%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 29,301,010.00	\$ 25,657,777.00	\$ 8,843,092.00	\$ 23,355,708.00	\$ 21,576,748.00
Covered Payroll	\$ 34,789,127.57	\$ 32,514,728.84	\$ 33,520,716.68	\$ 34,657,363.15	\$ 35,555,573.64
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	84.22%	78.91%	26.38%	67.39%	60.68%
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	0.22624%	0.22259%	0.23152%	0.23991%	0.24667%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 22,524,656.00	\$ 17,661,272.00	\$ 21,279,080.00	\$ 8,841,159.00	\$ 2,892,011.00
Covered Payroll	\$ 36,553,692.04	\$ 35,447,028.56	\$ 35,253,636.84	\$ 35,992,422.42	\$ 36,471,278.37
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	61.62%	49.82%	60.36%	24.56%	7.93%
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.

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

Exhibit C-2

Teachers' and State Employees' Retirement System	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 6,368,857.07	\$ 6,046,350.37	\$ 5,325,912.58	\$ 4,954,361.93	\$ 4,495,060.00
Contributions in Relation to the Contractually Determined Contribution	<u>6,368,857.07</u>	<u>6,046,350.37</u>	<u>5,325,912.58</u>	<u>4,954,361.93</u>	<u>4,495,060.00</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 36,104,631.94	\$ 34,789,127.57	\$ 32,514,728.84	\$ 33,520,716.68	\$ 34,657,363.15
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	\$ 4,369,780.00	\$ 3,940,488.00	\$ 3,537,613.45	\$ 3,225,707.77	\$ 3,293,306.65
Contributions in Relation to the Contractually Determined Contribution	<u>4,369,780.00</u>	<u>3,940,488.00</u>	<u>3,537,613.45</u>	<u>3,225,707.77</u>	<u>3,293,306.65</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 35,555,573.64	\$ 36,553,692.04	\$ 35,447,028.56	\$ 35,253,636.84	\$ 35,992,422.42
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.

Winston-Salem 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:

Teachers' and State Employees' Retirement System	Cost of Living Increase									
	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 13 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

Winston-Salem 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*

Exhibit C-3
Page 1 of 2

Retiree Health Benefit Fund	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net OPEB Liability	0.25093%	0.25501%	0.27525%	0.27916%	0.29853%
Proportionate Share of Collective Net OPEB Liability	\$ 66,866,432.00	\$ 60,556,469.00	\$ 85,094,361.00	\$ 77,442,729.00	\$ 94,453,926.00
Covered Payroll	\$ 55,038,025.11	\$ 52,124,933.20	\$ 53,318,312.41	\$ 55,161,098.25	\$ 56,209,441.79
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	121.49%	116.18%	159.60%	140.39%	168.04%
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	0.31354%	0.30306%	0.33759%		
Proportionate Share of Collective Net OPEB Liability	\$ 89,322,133.00	\$ 99,363,488.00	\$ 146,863,125.00		
Covered Payroll	\$ 57,364,183.84	\$ 56,169,626.15	\$ 55,545,610.59		
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	155.71%	176.90%	264.40%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%		

Winston-Salem 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*

Exhibit C-3
Page 2 of 2

Disability Income Plan of North Carolina	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.24717%	0.24486%	0.26833%	0.28598%	0.29888%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 65,737.00	\$ 72,841.00	\$ (43,829.00)	\$ (140,685.00)	\$ (128,967.00)
Covered Payroll	\$ 55,038,025.11	\$ 52,124,933.20	\$ 53,318,312.41	\$ 55,161,098.25	\$ 56,209,441.79
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.12%	0.14%	0.08%	0.26%	0.23%
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)	0.32500%	0.32565%	0.32565%		
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (98,722.00)	\$ (199,037.00)	\$ (202,229.00)		
Covered Payroll	\$ 57,364,183.84	\$ 56,169,626.15	\$ 55,545,610.59		
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.17%	0.35%	0.36%		
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.

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

Exhibit C-4
Page 1 of 2

Retiree Health Benefit Fund	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 4,169,027.00	\$ 3,792,119.93	\$ 3,278,658.30	\$ 3,561,663.27	\$ 3,568,923.06
Contributions in Relation to the Contractually Determined Contribution	4,169,027.00	3,792,119.93	3,278,658.30	3,561,663.27	3,568,923.06
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 58,389,733.85	\$ 55,038,025.11	\$ 52,124,933.20	\$ 53,318,312.41	\$ 55,161,098.25
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	\$ 3,524,332.00	\$ 3,470,533.12	\$ 3,263,455.28	\$ 3,110,554.19	\$ 3,079,732.92
Contributions in Relation to the Contractually Determined Contribution	3,524,332.00	3,470,533.12	3,263,455.28	3,110,554.19	3,079,732.92
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 56,209,441.79	\$ 57,364,183.84	\$ 56,169,626.15	\$ 55,545,610.59	\$ 56,097,138.83
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

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

Exhibit C-4
Page 2 of 2

Disability Income Plan of North Carolina	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 64,228.71	\$ 55,038.03	\$ 46,912.44	\$ 47,986.48	\$ 55,161.10
Contributions in Relation to the Contractually Determined Contribution	64,228.71	55,038.03	46,912.44	47,986.48	55,161.10
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 58,389,733.85	\$ 55,038,025.11	\$ 52,124,933.20	\$ 53,318,312.41	\$ 55,161,098.25
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	\$ 78,693.22	\$ 80,309.86	\$ 213,444.58	\$ 227,737.00	\$ 229,998.27
Contributions in Relation to the Contractually Determined Contribution	78,693.22	80,309.86	213,444.58	227,737.00	229,998.27
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 56,209,441.79	\$ 57,364,183.84	\$ 56,169,626.15	\$ 55,545,610.59	\$ 56,097,138.83
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.

Winston-Salem 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 14 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: 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



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

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
Winston-Salem State University
Winston-Salem, 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 Winston-Salem State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, 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 April 22, 2025. Our report includes a reference to other auditors who audited the consolidated financial statements of the Winston-Salem State University Foundation, Inc. and Subsidiary (Foundation), as described in our report on the University's financial statements. The consolidated 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Dave Boliek
State Auditor

Raleigh, North Carolina

April 22, 2025

ORDERING INFORMATION

Copies of this report may be obtained by contacting:

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State of North Carolina
20601 Mail Service Center
Raleigh, North Carolina 27699

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North Carolina Office of the State Auditor at:

919-807-7666



This audit required 595 hours at an approximate cost of \$92,225.

Winston-Salem State University

Winston-Salem, NC



Report on Supplementary Information - Dormitory System and Project Debt Service Coverage Schedule

For the Year Ended June 30, 2024

State Auditor
Dave Boliek

A Constitutional Office of the
State of North Carolina



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



Independent Auditor's Report on Supplementary Information



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report on Supplementary Information

Board of Trustees
Winston-Salem State University
Winston-Salem, North Carolina

Report on Supplementary Information

We have audited the financial statements of Winston-Salem State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, 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 April 22, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Debt Service Coverage Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Debt Service Coverage Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Debt Service Coverage Schedule is fairly stated, in all material respects, in relation to the University's basic financial statements as a whole.

Purpose of this Report

This report is intended solely for the information and use of management, U.S. Bank, and the AMBAC Financial Group for the purpose of debt compliance and is not intended to be and should not be used by anyone other than these specified parties.

Dave Boliek
State Auditor

Raleigh, North Carolina

April 25, 2025



Debt Service Coverage Schedule

Winston-Salem State University
Dormitory System and Project - Debt Service Coverage Schedule
For the Fiscal Year Ended June 30, 2024

	Foundation (Project)	University (Dormitory System)	Dormitory System and Project
REVENUES			
Operating Revenues:			
Project/Dormitory System Revenues	\$ 7,689,386.63	\$ 9,766,496.30	\$ 17,455,882.93
Total Project/Dormitory System Revenues	<u>7,689,386.63</u>	<u>9,766,496.30</u>	<u>17,455,882.93</u>
EXPENSES			
Project/Dormitory System Expenses:			
Personnel Compensation	110,100.70	4,066,992.48	4,177,093.18
Supplies and Services	1,235,254.29	3,485,211.07	4,720,465.36
Fixed Charges	178,252.46	1,192,679.38	1,370,931.84
Capital Outlay	62,887.78	105,967.29	168,855.07
Administrative	-	163,655.00	163,655.00
Total Project/Dormitory System Expenses	<u>1,586,495.23</u>	<u>9,014,505.22</u>	<u>10,601,000.45</u>
Net Project/Dormitory System Revenues	<u>6,102,891.40</u>	<u>751,991.08</u>	<u>6,854,882.48</u>
DEBT SERVICE			
Principal and Interest on Certificates	3,155,850.00	-	3,155,850.00
Dormitory System Debt	-	2,654,079.99	2,654,079.99
General Revenue Debt (for Dormitory System or Payable from Dormitory System)	-	-	-
	<u>3,155,850.00</u>	<u>2,654,079.99</u>	<u>5,809,929.99</u>
DEPOSITS			
Required Deposit to Maintenance Reserve (per Trustee)	-	-	-
Required Deposit to Reserve Fund	-	-	-
Total Debt Service and Deposits	<u>3,155,850.00</u>	<u>2,654,079.99</u>	<u>5,809,929.99</u>
COVENANT COVERAGE			
Principal and Interest on Certificates and for any Dormitory System Facilities	3,155,850.00 at 1.00 of debt service	2,654,079.99	6,681,419.49 at 1.15 of debt service
Required Deposit to Maintenance Reserve (per Trustee)	- at 1.00 of required deposit	Not Applicable	- at 1.00 of required deposit
Required Deposit to Reserve Fund	-	Not Applicable	-
Total Debt-Related Coverage Expenses	<u>3,155,850.00 [1]</u>		<u>6,681,419.49 [2]</u>
EXCESS COVENANT COVERAGE MARGIN			
	<u>\$ 2,947,041.40</u> Must be greater than or equal to \$0		<u>\$ 173,462.99</u> Must be greater than or equal to \$0

Amended and Restated Use Agreement, Section 6.8(a)(b)

	Project Section 6.8(b)	Dormitory System	Dormitory System and Project Section 6.8(a)
Required Debt Service Coverage Ratio	1.00	None	1.15 [2]
Actual Debt Service Coverage Ratio	1.93	None	1.18
AND:			
Required Debt Service and Deposits Coverage Ratio	1.00 [1]	None	1.00 [2]
Actual Debt Service and Deposits Coverage Ratio	1.93	None	1.03

[1] The Project coverage test is at least 100% of the Principal and Interest Requirements and an amount not less than the sum of the Required Deposits (Use Agreement, Section 6.8(b)).

[2] The combined Dormitory System and Project Debt Service Coverage Ratio test is equal to at least 1.15 of the Principal and Interest Requirements plus an amount not less than the sum of the Required Deposits (Use Agreement, Section 6.8(a)).

State of North Carolina

Single Audit Report

For the Year Ended June 30, 2024

UNBIASED. IMPACTFUL. IRREFUTABLE.



A Department of the
State of North Carolina





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly

Ladies and Gentlemen:

Each year, North Carolina entities spend tens of billions of dollars received from federal government awards. The North Carolina Office of the State Auditors (OSA) examines a share of these federal grant expenditures to check for any deficiencies, weaknesses, and noncompliance. For our 2024 Statewide Single Audit we audited 22 programs covering \$25.65 billion in spending and found \$8.5 million in questioned costs and 11 total findings.

The bulk of questioned costs can be attributed to the North Carolina Department of Commerce, which incorrectly used \$8.5 million of Unemployment Insurance administration funds by charging expenditures to the wrong timeframe allowed by each award.

Under findings, you will see two instances of inadequate monitoring of federal funds. The Department of Commerce did not adequately monitor \$55 million in federal funds that were designated for employment and training programs, and the North Carolina Department of Health and Human Services (DHHS) did not adequately monitor \$106.5 million in federal funds for providing substance abuse prevention, treatment, and recovery services and addressing the opioid abuse crisis.

Specifically, OSA found the DHHS Division of Mental Health, Developmental Disabilities and Substance Use Services did not complete monitoring activities, including required on-site visits, for six LME/MCOs that received \$40.4 million in substance abuse funds and \$37.5 million in opioid abuse funds. In the future, our office intends to closely watch these types of areas of spending.

Other entities with documented findings include the North Carolina Department of Public Safety, Elizabeth City State University, North Carolina Central University, and Winston-Salem State University.

The majority of federal funds audited in this report were properly administered, but the \$8.5 million in questioned costs represents a significant finding. It is an increase from the \$467,246 documented in the 2023 Statewide Single Audit. There is a commitment at the state and federal level to reduce bureaucracy and waste. North Carolina's agencies need to be mindful of dollars received and accountability standards. Incorrect use of funds may jeopardize future allocations and lessens public confidence in government spending.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dave Boliek", with a stylized flourish at the end.

Dave Boliek
State Auditor

84.031 Higher Education Institutional Aid

III. Federal Award Findings and Questioned Costs

U.S. Department of Education
Winston-Salem State University
For the Fiscal Year Ended June 30, 2024

	Type of Finding/ Questioned Costs	Findings and Recommendations
2024-010	Activities Allowed or Unallowed: Significant Deficiency	<p><u>Inadequate Internal Controls Over Higher Education Program Expenditures</u></p> <p>The University did not have adequate internal controls over Higher Education Institutional Aid (Higher Education) program expenditures to ensure compliance with federal requirements. During the period, the University disbursed \$9.67 million in expenditures under this program which is intended to strengthen the academic quality of institutions.</p> <p>Auditors reviewed Higher Education program expenditures paid during the audit period and found expenditures that were not reviewed for compliance prior to disbursement. Specifically,</p> <ul style="list-style-type: none">• In a sample of 40 payroll expenditures totaling \$372,901, auditors found three (7.5%) expenditures totaling \$20,672 that were not reviewed.• In a sample of 40 operating expenditures totaling \$20,927, auditors found 10 (25%) expenditures totaling \$6,507 that were not reviewed.• In a test of 16 capital expenditures totaling \$961,462, auditors found 15 (94%) expenditures totaling \$743,463 that were not reviewed. <p>As a result, there is an increased risk that federal funds may not be used in accordance with federal requirements, which may reduce funding otherwise available for use under the program.</p> <p>The University's internal controls over federal compliance were ineffective due to a change in the electronic approval process during the period that inadvertently removed staff responsible for compliance from the list of required approvals.</p> <p>Federal regulations¹⁶ require the University to establish, document, and maintain effective internal control over the federal award that provides reasonable assurance that the University is managing the program in compliance with federal statutes, regulations, and the terms and conditions of the federal award.</p> <p><i>Federal Award Information:</i> Federal Awarding Agency: U.S. Department of Education; Assistance Listing Number (title): 84.031 (Higher Education Institutional Aid); Federal Award Identification Numbers (award periods): P031B220049 (October 1, 2022 – September 30, 2027), P031E200045 (October 1, 2020 – September 30, 2025), and P031B170037 (October 1, 2017 – September 30, 2023).</p>

¹⁶ 2 CFR 200.303(a) – Internal Controls.

84.031 Higher Education Institutional Aid (continued)

III. Federal Award Findings and Questioned Costs

U.S. Department of Education
Winston-Salem State University
For the Fiscal Year Ended June 30, 2024

Type of Finding/ Questioned Costs	Findings and Recommendations
	<p><i>Recommendation:</i> University management should ensure that electronic approval processes are periodically reviewed and verified by the staff responsible for compliance with federal requirements.</p> <p><i>Views of Responsible Officials to the Auditee:</i> Winston-Salem State University concurs with the findings and the recommendations provided by the State Auditor's Office.</p> <p>Payments related to Title III expenditures have been processed without the required approval of the Title III administrator, leading to a lack of proper oversight and non-compliance with established internal controls. To strengthen internal controls and ensure all Title III expenditures receive proper approval before payment processing. We have taken the following steps to ensure corrective actions.</p> <p>We have strengthened the Approval Workflow by implementing system controls in People Admin, PAF, Works, and Chrome River to prevent payments from being processed without Title III administrator approval and ensuring all capital improvement invoices are routed through Adobe Sign for documented approval.</p> <p>We will provide training for all relevant staff on Title III expenditure approval procedures and distribute a formal communication from Finance and Administration reinforcing the requirement for Title III administrator approval before payment processing. Additionally, employees responsible for payment processing will be required to complete training acknowledging their understanding of the approval requirements.</p> <p>Contracts and Grants will establish a process to perform quarterly audits to review transactions for compliance with approval workflows.</p> <p>This corrective action plan aims to eliminate unauthorized payments and ensure full compliance with Title III expenditure approval protocols. The Associate Vice Chancellor for Financial Services is responsible for execution and monitoring of corrective actions. The Director of Title III and the Director of Contracts and Grants are responsible for ensuring adherence to approval procedures.</p>



WINSTON-SALEM
STATE UNIVERSITY

FOUNDATION, INC. AND SUBSIDIARY

**CONSOLIDATED
FINANCIAL STATEMENTS
AS OF JUNE 30, 2024**

**TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**



Integrity First. Excellence Always

MURPHY AND COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS STRATEGISTS
A MEMBER FIRM OF THE WESLEY PEACHTREE GROUP, CPAS

WINSTON-SALEM STATE UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2024
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
WINSTON-SALEM STATE UNIVERSITY FOUNDATION, INC.:

Opinion

We have audited the accompanying consolidated financial statements of **WINSTON-SALEM STATE UNIVERSITY FOUNDATION, INC.** (the Foundation), (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above presented fairly, in all material respects, the financial position of **WINSTON-SALEM STATE UNIVERSITY FOUNDATION, INC.** as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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

Management is responsible for the preparation and fair presentation of the consolidated 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 condi-

INDEPENDENT AUDITORS' REPORT
(Continued)

tions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Foundation'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 Foundation'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.

Murphy and Company PC

Certified Public Accountants

March 13, 2025

**WINSTON-SALEM STATE UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARY**



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024**

2024

ASSETS:

Cash and cash equivalents	\$ 3,370,748
Restricted cash	4,455,044
Certificate of deposit	1,653,578
Receivables	18,337
Prepaid expenses	8,626
Lease obligation receivable, <i>net</i>	22,639,392
Promises to give, <i>net</i>	-
Investment securities	60,705,349
Property and equipment, <i>net</i>	<u>5,028,088</u>

Total Assets **\$ 97,879,162**

LIABILITIES AND NET ASSETS:

Accounts payable and other accruals	\$ 1,219,414
Accrued Interest & bond related liabilities	941,017
Bonds payable, <i>net</i>	<u>25,044,048</u>

Total Liabilities **27,204,479**

NET ASSETS:

Without donor restrictions	
Undesignated	13,404,534
Board designated for endowment	<u>16,617,997</u>
<i>Total net without donor restrictions</i>	30,022,531
With donor restrictions	<u>40,652,152</u>
<i>Total net assets</i>	<u>70,674,683</u>

Total Liabilities and Net Assets **\$ 97,879,162**

The accompanying notes are an integral part of these financial statements.

**WINSTON-SALEM STATE UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARY**



**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

	2024		
	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:			
Gifts and grants	\$ 437,722	\$ 4,446,641	\$ 4,884,363
Investment income, <i>net</i>	117,023	-	117,023
Realized and unrealized gains (losses) on investments	2,477,977	4,584,575	7,062,552
Administrative fees	294,311	-	294,311
Program income	269,344	597,156	866,500
Lease income	121,125	-	121,125
Gain of early extinguishment of debt	2,685,498	61,681	2,747,179
	<u>6,403,000</u>	<u>9,690,053</u>	<u>16,093,053</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	4,499,439	(4,499,439)	-
<i>Total support and revenues</i>	<u>10,902,439</u>	<u>5,190,614</u>	<u>16,093,053</u>
EXPENSES:			
Program services	11,035,328	-	11,035,328
Management and general	1,565,745	-	1,565,745
Fundraising	178	-	178
<i>Total expenses</i>	<u>12,601,251</u>	<u>-</u>	<u>12,601,251</u>
CHANGES IN NET ASSETS	<u>(1,698,812)</u>	<u>5,190,614</u>	<u>3,491,802</u>
NET ASSETS, <i>beginning of year</i>	<u>31,721,343</u>	<u>35,461,538</u>	<u>67,182,881</u>
NET ASSETS, <i>end of year</i>	<u>\$ 30,022,531</u>	<u>\$ 40,652,152</u>	<u>\$ 70,674,683</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	2024			
	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 1,497,185	\$ -	\$ -	\$ 1,497,185
Special programs	7,178,627	-	-	7,178,627
Salaries and related expenses	-	278,202	-	278,202
Foundation administration fees	294,311	-	-	294,311
Contract Services	379,429	422,334	-	801,763
Alumni Events & Entertainment	230,244	235,250	-	465,494
Meals	283,025	162,603	-	445,628
Travel	174,260	182,314	-	356,574
Technology Software and Website	74,430	115,001	-	189,431
Lodging	60,864	100,702	-	161,566
Other	135,776	61,590	-	197,366
Interest	727,177	-	-	727,177
Depreciation	-	7,749	-	7,749
Fundraising	-	-	178	178
Totals	\$ 11,035,328	\$ 1,565,745	\$ 178	\$ 12,601,251

The accompanying notes are an integral part of these financial statements.



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

2024

OPERATING ACTIVITIES:

Change in net assets	\$ 3,491,802
<i>Adjustments to reconcile change in net assets to net cash used by operating activities:</i>	
Depreciation	7,748
Amortization of interest income on lease obligation receivable	8,151
Amortization of debt issuance costs	51,180
Realized and unrealized gains on investments	(7,062,552)
Gain upon debt extinguishment	(2,747,179)
<i>Changes in operating assets and liabilities:</i>	
Decrease in receivables	282,173
Decrease in lease obligation receivable	4,489,894
Decrease in promises to give	559,466
Increase in accounts payable and other accruals	535,260
<i>Net cash used by operating activities</i>	<u>(384,057)</u>

INVESTING ACTIVITIES:

Sales of investment securities	7,165,346
Purchases of investment securities	(6,435,861)
Capital expenditures	<u>(12,717)</u>
<i>Net cash provided by investing activities</i>	<u>716,768</u>

FINANCING ACTIVITIES:

Principal payments on debt	<u>(1,790,000)</u>
<i>Net cash used by financing activities</i>	<u>(1,790,000)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (1,457,289)

CASH AND CASH EQUIVALENTS, *beginning of year* 4,828,037

CASH AND CASH EQUIVALENTS, *end of year* \$ 3,370,748

Supplemental Disclosures -

Cash paid for interest from operations \$ 682,925

The accompanying notes are an integral part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

1. ORGANIZATION AND NATURE OF ACTIVITIES:

The Winston-Salem State University Foundation, Incorporated, (the "Foundation") a non-profit corporation, solicits and collects contributions to provide scholarships and aid to the students and faculty of Winston-Salem State University (the "University") and financial support for the educational programs of the University. The University is considered to be a related party.

The Foundation, through a wholly owned subsidiary, Winston-Salem State University Housing Foundation, LLC (the "LLC"), operates three student housing facilities. The first, RAMS Commons, is a 446-bed facility situated on approximately 7.7 acres adjacent to the University campus. It includes four residential

buildings, one community center, and off-site parking. The second student housing facility is Gleason-Hairston Terrace, situated on approximately 8.3 acres. The 405-bed facility is located on the southwest side of the University campus. Foundation Heights, the third privatized student housing project sponsored by the Foundation was funded through an additional bond issue. This four-story apartment community, situated on approximately six acres on the southwest side of the campus, includes one residential building containing 72 units and a total of 316 beds. RAMS Commons, Gleason-Hairston Terrace and Foundation Heights are leased to Winston-Salem State University by the LLC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS:

Basis of Presentation – The consolidated financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- **Net assets without donor restrictions** - net assets that are not restricted by donors or for which donor-imposed restrictions have

expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated net assets without donor restrictions.

- **Net assets with donor restrictions** - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS: (Continued)

Basis of Presentation—(continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The consolidated financial statements include the accounts of the Winston-Salem State University Housing Foundation, LLC. The Foundation is the sole member of the limited liability company. All significant intercompany transactions have been eliminated.

Cash, Cash Equivalents, and Restricted Cash –

The Foundation considers all highly-liquid temporary cash instruments purchased with an initial maturity of three months or less to be cash equivalents. The Foundation maintains its cash and cash equivalents in bank accounts, the balances of which may at times exceed federally insured limits. The Foundation's cash and cash equivalents are placed with high-credit quality financial institutions and the Foundation has not experienced any losses in such accounts. Restricted cash consists of

amounts reserved for construction costs, a debt service reserve fund, required operating and maintenance fund, and other restricted funds as required by the loan agreement executed in connection with financing for the student housing facilities. Restricted cash is held in separate accounts at a financial institution.

Certificate of Deposit – The Foundation has a certificate of deposit totaling \$1,653,578 at June 30, 2024. This certificate bears an interest rate of .01% and has a maturity of 6 months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Accounts Receivable – The Foundation records accounts receivable as the total unpaid balance, which approximates estimated fair value as of June 30, 2024. The Foundation determines past-due status of individual accounts receivable based on the contractual terms of the original service. The Foundation estimates its allowance for doubtful accounts based on a combination of factors, including the Foundation's historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of accounts receivable. No allowance was considered necessary for the year ended June 30, 2024. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS: (Continued)

Promises to Give – Contributions and grants (promises to give) are recognized as revenues in the period the commitment is made. The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions and grants revenue in the statements of activities. The Foundation determines an allowance for uncollectible promises to give based on historical experience, an assessment of the economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. The allowance for uncollectible promises to give was \$0 at June 30, 2024. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

Investment Securities – The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market values in the consolidated statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

The Foundation's investments are primarily held by a local bank trust department and UNC

Investment Fund, LLC. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Expenses relating to investment income, including custodial fees and investment advisory fees, have been netted against investment income in the consolidated financial statements. During the year ended June 30, 2024, these fees totaled \$136,641.

Property and Equipment – Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, generally from five to twenty-five years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Revenue Recognition – Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Donated Services and In-Kind Contributions

– Contributions of assets other than cash are recorded at their estimated fair value. The Foundation reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. No amounts were recorded for donated services during the year ended June 30, 2024.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS: (Continued)

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated between the programs and supporting services benefited. Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates of time and effort made by management.

Income Tax Status – The Foundation is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose. The LLC is considered to be a disregarded entity directly controlled by the Foundation.

The Foundation's primary tax positions relate to its status as a not-for-profit entity exempt

from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Foundation has no uncertain tax positions that would be subject to change upon examination.

The Foundation, inclusive of the LLC, is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Foundation is also required to file an exempt organization business income tax return (Form 990-T) for any year gross un-related business income exceeds \$1,000. The Foundation's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Use of Estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates are disclosed in the applicable notes to these financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

3. LIQUIDITY AND AVAILABILITY:

Financial assets include all assets of the Foundation excluding prepaid expenses and property and equipment. Financial assets available for general expenditure, that is,

without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

	<u>2024</u>
Total financial assets	\$ 92,842,448
Less those unavailable for general expenditure within one year due to:	
Restricted cash for debt service	(4,455,044)
Noncurrent portion of lease obligation receivable, <i>net</i>	(22,639,393)
Purpose restrictions	(20,324,503)
Perpetual endowments	(15,137,035)
Board designations	<u>(15,061,421)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 15,225,052</u></u>

The Foundation has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated

liquidity needs, the Foundation has substantial board designated funds to draw upon, if needed.

4. FAIR VALUE MEASUREMENTS:

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value are categorized depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, such as quoted prices for



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

4. FAIR VALUE MEASUREMENTS: (Continued)

similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable data for substantially the full term of the assets or liabilities. Level 3 inputs are unobservable for the asset or liability, including the Foundation's own assumptions in determining the fair value of assets or liabilities.

Valuation techniques used in the fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

The following is a description of the valuation methodologies used by the Foundation for assets measured at fair value:

UNC Investment Fund, LLC is recorded at the amount that represents the Foundation's equity position in the UNC Investment Fund, LLC. This pooled investment fund determines ownership on a market unit valuation basis each month. The fund is a broadly diversified portfolio of assets including domestic and international equities, private equities, real estate, commodities and fixed income securities. Due to the significance of alternative investments in the fund which have limited or no observable market data necessary to determine fair value, the entire fund is considered to fall within level 3 measurements in the fair value hierarchy under GAAP.

Stocks, Mutual Funds, and Money Market Funds are valued at the closing price reported on the active markets on which individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis as of June 30, 2024.

	Fair Value Measurement at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,225,342	\$ -	\$ -	\$ 2,225,342
Mutual funds	16,537,566	-	-	16,537,566
Stocks	178,777	-	-	178,777
UNC Investment Fund, LLC	-	-	41,763,664	41,763,664
<i>Total investment</i>	<u><u>\$18,941,685</u></u>	<u><u>\$ -</u></u>	<u><u>\$41,763,664</u></u>	<u><u>\$60,705,349</u></u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

4. FAIR VALUE MEASUREMENTS: (Continued)

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2024:

	<u>2024</u>
Balance, beginning of year	\$ 35,988,495
Purchases	1,843,169
Redemptions	(597,326)
Unrealized and realized gains	4,665,967
Investment advisory fees	<u>(136,641)</u>
	<u><u>\$ 41,763,664</u></u>

5. LEASE OBLIGATION RECEIVABLE:

The WSSU Housing Foundation LLC constructed three student housing facilities: RAMS Commons, Gleason-Hairston Terrace and Foundation Heights. The LLC has leased these facilities to the University. The lease agreements provide for lease payments to be made to the LLC equal to the debt service require-

ments on the bonds issued to finance the construction of the facilities. The leases have been accounted for as direct financing leases. Accordingly, the accompanying consolidated financial statements reflect a lease obligation receivable from the University at June 30, 2024, as follow:

	<u>2024</u>
Gross lease obligation receivable	\$ 24,215,000
Less unamortized interest income	<u>(1,575,608)</u>
Lease obligation receivable, <i>net</i>	<u><u>\$ 22,639,392</u></u>

Unearned interest income is amortized over the lives of the related bond issues. Amorti-

zation of income amounted to \$121,125 for the year ended June 30, 2024.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

6. OTHER LEASE INCOME:

The Foundation leases a building to a local school system. The operating lease agreement provides for a fixed fee of \$12,625 per month through June 2025.

This income, included in the *Consolidated Statement of Activities* as program income, was \$151,500 for the year ended June 30, 2024.

7. PROMISES TO GIVE:

The Foundation, on behalf of the University, is conducting a campaign to raise funds for endowed scholarships, endowed professorships, facility improvements, and other strategic initiatives. Promises to give to the cam-

paign are recorded in the period in which the promise is received. Promises to give as of June 30, 2024 are presented in the accompanying consolidated financial statements at their net realizable value, as follows:

	2024
Due within one year	\$ 559,466
Due within two to five years	-
	<u>559,466</u>
Less allowance for uncollectible promises to give	(559,466)
Less discount to present value	-
	<u><u>\$ -</u></u>

During the year ended June 30, 2024, the Foundation was named a beneficiary of a life insurance policy, two annuity contracts, and

real estate proceeds that are to be paid upon the death of the benefactor.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

8. INVESTMENT SECURITIES:

Investment securities at June 30, 2024 are summarized as follows:

	<u>2024</u>
UNC Investment Fund, LLC	\$ 41,763,664
Stocks, including exchange-traded funds	178,777
Mutual funds	16,537,566
Money market funds	<u>2,225,342</u>
	<u>\$ 60,705,349</u>

9. PROPERTY AND EQUIPMENT:

Property and equipment at June 30, 2024 is summarized as follows:

	<u>2024</u>
Land acquired for University expansion	\$ 2,985,534
Furniture and equipment	135,376
Building	<u>2,022,629</u>
<i>Total property and equipment</i>	5,143,539
Less: accumulated depreciation	<u>(115,451)</u>
<i>Property and equipment, net</i>	<u>\$ 5,028,088</u>

Depreciation expense for the years ended June 30, 2024 was \$7,748.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

(Continued)

10. BONDS PAYABLE:

Three student housing facilities have been financed through the issuance of bonds.

\$2,747,179 on the early extinguishment of the Series 2014 bonds.

In June 2024, \$14,970,000 of Series 2024 Limited Obligation Refunding Bonds were issued to refinance the Series 2014 bonds. The original purpose of this debt was to construct two student residence halls for which the University leases from the Foundation. These bonds mature at various intervals through 2036, and bear interest at fixed rates ranging from 2% to 5%. In connection with the refinancing, the University recognized a gain of

In September 2016, the Foundation issued \$13,235,000 in Series 2016 Limited Obligation Refunding Bonds (Winston-Salem State University Student Housing Project). The original purpose of this debt was to construct Foundation Heights, a student residence hall, for which the University leases from the Foundation. These bonds mature at various intervals through 2036, and bear interest at fixed rates ranging from 2% to 5%.

Bonds payable are as follows at June 30, 2024:

	<u>2024</u>
Series 2016 bonds	\$ 9,245,000
Series 2024 bonds	<u>14,970,000</u>
Gross bonds payable	24,215,000
Unamortized bond premium	1,443,285
Unamortized debt issuance costs	<u>(614,237)</u>
	<u>\$ 25,044,048</u>

Scheduled maturities of the bonds are as follows during each year ending June 30:



<u>Year Ending June 30</u>	
2025	\$ 1,180,000
2026	1,935,000
2027	2,025,000
2028	2,135,000
2029	2,245,000
Thereafter	<u>14,695,000</u>
	<u>\$ 24,215,000</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

10. BONDS PAYABLE: (Continued)

Unamortized bond premium is amortized over the lives of the related bond issues using the interest method. Amortization of the bond premium amounted to \$131,208 for the year ended June 30, 2024.

In connection with the financing arrangements for the construction of the student housing

facilities, the LLC paid certain fees and expenses. These debt issuance costs, including insurance premiums and other issuance costs, are being amortized over the terms of the bonds using the interest method. Amortization of debt issuance costs was \$16,894 for the year ended June 30, 2024.

11. ENDOWMENT FUNDS:

The Foundation's endowment consists of donor-restricted and board designated funds which are invested in one fund. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with donor-restricted endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Committee of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the

direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Endowment net asset composition by type as of June 30, 2024 is as follows:



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

11. ENDOWMENT FUNDS: (Continued)

	Donor Restrictions	With Donor Restrictions	Total
<i>Board designated endowment funds-</i>			
Cash and cash equivalents	\$ -	\$ -	\$ -
UNC Investment Fund, LLC	11,592,605	-	11,592,605
<i>Donor-restricted endowment funds-</i>			
Cash and cash equivalents	-	1,043,115	1,043,115
UNC Investment Fund, LLC	-	29,127,944	29,127,944
	<u>\$ 11,592,605</u>	<u>\$ 30,171,059</u>	<u>\$ 41,763,664</u>

Funds with Deficiencies: From time to time, the fair value of the assets associated with the donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as funds of perpetual duration. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The individual funds with deficiencies totaled \$118,034 at June 30, 2024. The deficiency resulted from unfavorable market fluctuations on the underlying investments.

Investment Return Objectives, Risk Parameters and Strategies: The Foundation has adopted investment and spending policies, approved by the Executive Committee, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the

investment process seeks to achieve a rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Foundation has a policy of appropriating for distribution each year between 4.5% and 5.0% of its endowment fund's average fair value of the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term ex-



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

11. ENDOWMENT FUNDS: (Continued)

pected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending

policy to allow its endowment funds to grow at a rate consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional growth through investment return.

Changes in endowment net assets during the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 10,604,942	\$26,220,408	\$ 36,825,350
Contributions	368,634	1,474,535	1,843,169
Realized and unrealized gains (losses), net	933,193	3,732,774	4,665,967
Amounts appropriated for expenditure	<u>(314,164)</u>	<u>(1,256,658)</u>	<u>(1,570,822)</u>
Endowment net assets, end of year	<u>\$ 11,592,605</u>	<u>\$30,171,059</u>	<u>\$ 41,763,664</u>

12. NET ASSETS WITHOUT DONOR RESTRICTIONS DESIGNATED FOR SPECIAL PURPOSES:

The Foundation maintains unrestricted funds, some of which are designated by the Board for certain special purposes. The amounts of such

designated net assets at June 30, 2024 as follows:

	2024
<i>Net assets without donor restrictions:</i>	
Endowed scholarships	\$ 16,617,997
Special projects and student initiatives	<u>13,404,534</u>
	<u>\$ 30,022,531</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024
(Continued)

13. NET ASSTS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following at June 30, 2024:

	<u>2024</u>
<i>Net assets with donor restrictions:</i>	
Subject to expenditure for specified purposes:	
Scholarships	\$ 3,096,756
Special projects and student initiative	<u>7,384,337</u>
	<u>10,481,093</u>
Endowments:	
Subject to endowment spending policy and appropriation:	
Original gifts (corpus) for scholarships	\$ 16,980,204
Unappropriated endowment earnings for scholarships	13,308,889
Accumulated deficit for scholarships	<u>(118,034)</u>
	<u>30,171,059</u>
Total Net Assets	<u>\$ 40,652,152</u>

14. SUBSEQUENT EVENTS:

The Foundation has evaluated its subsequent events (events occurring after June 30, 2024) through the date of this report, which represents the date the financial statements were

available to be issued and determined that all significant events and disclosures are included in the consolidated financial statements.



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MURPHY AND COMPANY, P.C.

The Atlanta Office

1475 Klondike Road, Suite 100

Conyers, Georgia 30094

(404) 874-0555 • (404) 874-0601



WINSTON-SALEM
STATE UNIVERSITY

FOUNDATION, INC. AND SUBSIDIARY

**MEMORANDUM OF
RECOMMENDATIONS ON INTERNAL
CONTROL AND OTHER MATTERS**

JUNE 30, 2024



MURPHY AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS STRATEGISTS
A MEMBER FIRM OF THE WESLEY PEACHTREE GROUP, CPAS

Integrity First. Excellence Always



March 13, 2025

To the Board of Directors of
WINSTON-SALEM STATE UNIVERSITY FOUNDATION, INC.:

In planning and performing our audit of the financial statements of **WINSTON-SALEM STATE UNIVERSITY FOUNDATION, INC.** and affiliates (the "Foundation"), a North Carolina not-for-profit corporation as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's system of 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we Identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in the Foundation's internal control presented in the accompanying Current Year Recommendations as Finding 2024-001 to be a material weakness.

ATLANTA OFFICE:
1475 Klondike Road, Suite 100
Conyers, GA 30094



Integrity First. Excellence Always.
(404) 874-0555 • (404) 874-0601 Fax
www.wpg-inc.com • info@wpg-inc.com

Member of American Institute of Certified Public Accountants

WPG TRAINING INSTITUTE
1475 Klondike Road, Suite 100
Conyers, GA 30094



To the Board of Directors of
WINSTON-SALEM STATE UNIVERSITY FOUNDATION, INC.

March 13, 2025

Page 2 of 2

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the Foundation's internal control presented in the accompanying Current Year Recommendations as Finding 2024-002 and 2024-003 to be significant deficiencies.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Murphy and Company, P.C.

Certified Public Accountants



WINSTON-SALEM STATE UNIVERSITY FOUNDATION, INC

MEMORANDUM OF RECOMMENDATIONS
ON INTERNAL CONTROL AND OTHER MATTERS

JUNE 30, 2024

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**MEMORANDUM OF RECOMMENDATIONS
ON INTERNAL CONTROL AND OTHER MATTERS**

JUNE 30, 2024

CURRENT YEAR RECOMMENDATIONS

We offer the following observations in connection with the 2024 audit for the Foundation's consideration to improve its business practices, policies and procedures and existing internal control structure.

Finding 2024-001 Lack of Audit Readiness (Material Weakness)

Primarily stemming from changes in personnel, WSSU Foundation was not fully prepared for its annual audit, which contributed to report delays similar to the previous year with the predecessor auditor.

Prior year adjusting journal entries were not recorded, resulting in beginning trial balance differences as compared to the prior year audit report. Certain accrual and/or year-end accounting entries had not been recorded. The requested audit items, such as account reconciliations, account analysis, and/or supporting documentation were not readily available at the start of the audit.

Changes in the personnel during fiscal year 2024 also contributed to the lack of audit readiness. The former Director of Finance was hired as a consultant; however, their assistance as a consultant also resulted in duplicate entries.

Lastly, Management requested non-attest services specifically for bond accounting, lease obligation receivable, and net assets to record year-end accounting entries and related analysis necessary for completion of the audit.

We recommend WSSU Foundation support continuous education and professional development of Finance & Accounting personnel.

Additional training could further aid in strengthening internal controls and audit readiness. WSSU Foundation should focus on execution of existing fiscal policies and procedures. The Business Office should also implement and document their monthly and/or annual close process utilizing a checklist of required documents and/or actions. It is important for WSSU Foundation to retain proper documentation for internal records and/or audit requests, especially for significant accounting areas or infrequent accounting activities. The recommendations will aid in better audit timeliness and accuracy of financial records.

Management's Response – *FY23's audit was mainly delayed due to missing bank reconciliations and credit card receipts, deficiencies that were corrected in FY24. For background, the FY23 audit was ready by Oct 2023, but the University opted to spend more time gathering CC receipts.*

Prior year adjusting journal entries were recorded into Blackbaud. Conflicting entries were subsequently made by a departing team member. Management provided adjustments needed to offset the duplicate entries made by the departing team member. In summary, the level of readiness was adequate in relation to the prior auditor's process. Adjustments have already been made.



**MEMORANDUM OF RECOMMENDATIONS
ON INTERNAL CONTROL AND OTHER MATTERS**

JUNE 30, 2024
(Continued)

CURRENT YEAR RECOMMENDATIONS *(Continued)*

Finding 2024-002 Net Assets Rollforward (Significant Deficiency)

We noted WSSU Foundation had not appropriately maintained its net asset roll-forward schedule, including endowment related projects, which properly tracks a) the original donated gift value, b) the original value of any subsequent gifts, and c) accumulations of endowment investment earnings. Based on our analysis, the beginning net assets balance did not reconcile to the previous audit report by \$441,330 in total. Previous auditor documentation did not reconcile to prior year net asset designation categories in the audit report (e.g. undesignated without donor restrictions, board designated for endowment, and with donor restrictions).

Timely updates to the net asset roll-forward schedule will enable WSSU Foundation to address donor inquiries, assess whether endowment earnings achieve WSSU Foundation's investment objectives and support funding of student scholarships.

We recommend WSSU Foundation document the original endowments and perform month-

ly reconciliations of the investment account. WSSU Foundation should maintain a temporarily and permanently endowed funds subsidiary ledger. WSSU Foundation should reconcile the information directly to the general ledger each year and record any necessary adjustments in a separate column. Lastly, WSSU Foundation should work closely with granting agency and/or subrecipients to ensure all required documentation is collected, retained for their records, and submitted in a timely fashion, if required.

Management's Response – The report was provided to WPG in the same manner as it was provided to the prior auditor. The predecessor auditor processed the report and independently made adjustments. Their adjustments reflected in the audit report, but not in Blackbaud.

Balanced NARF was provided to WPG in October 2024.



MEMORANDUM OF RECOMMENDATIONS
ON INTERNAL CONTROL AND OTHER MATTERS

JUNE 30, 2024
(Continued)

CURRENT YEAR RECOMMENDATIONS *(Continued)*

Finding 2024-003 Bond and Lease Obligation Receivable Accounting (Significant Deficiency)

WSSU Foundation did not record any accounting entries related to the Series 2024 limited obligations refunding bonds refinance of the Series 2014 bonds valued at \$14,970,00. Management requested WPG perform non-attest services to complete the bond accounting such as recording the redemption of the 2014 bonds, bond premium, bond interest, and related gain on the extinguishment of the bond, since the refinance was completed in late June 2024.

WSSU Foundation did not record the \$4.48 million adjusted journal entry related to the lease obligation receivable. Based on WSSU Foundation's agreement with Winston-Salem State University (the University), the Foundation should record a lease obligation receivable for the lease payments to be made by the University to the WSSU Housing Foundation, LLC (a subsidiary of the Foundation) equal to the debt service requirements on the bonds issued to the finance the construction of the three student housing facilities on campus. We recommend WSSU Foundation support continuous education and professional

development of Finance & Accounting personnel, including leveraging University and/or Board expertise related to bond accounting. WSSU Foundation should focus on execution of existing fiscal policies and procedures. The Business Office should also implement and document their monthly and/or annual close process utilizing a checklist of required documents and/or actions.

Management's Response – Bond-related accounting entries were performed previously by Butler & Burke, CPA. Early on, WPG agreed to continue this service as an additional billed service. Management approved this.

Management suggested WPG work with the University accounting team to shadow their bond entries. Management recognized WPG could not finalize the entries based upon the documentation made available to the auditor. These factors caused a delay in releasing a final report.



**MEMORANDUM OF RECOMMENDATIONS
ON INTERNAL CONTROL AND OTHER MATTERS**

JUNE 30, 2024
(Continued)

CURRENT YEAR RECOMMENDATIONS *(Continued)*

Finding 2024-004 Investment Reconciliation (Control Deficiency)

WSSU Foundation did not complete timely investment statement reconciliations during the fiscal year, resulting in \$3.90 million adjusting journal entry for unrealized gain to the UNC Fund, Wachovia, Truist, and RAMS Asset Management accounts. Timely investment account reconciliations will align with the Foundation's month close processes necessary for appropriate record keeping, account analysis, and audit readiness. Investment account analysis will enable WSSU Foundation to pursue an investment mix that aligns with the investment policy approved by the Board of Directors and provide student scholarships to the University.

We recommend WSSU Foundation perform month close procedures to ensure investment accounts are reconciled and properly reflected in the general ledger. Account analysis will ensure investment policy requirements are also achieved.

Management's Response – *The Foundation management team agrees with this finding and has already adjusted its internal SOP to include performing month-end closing procedures to ensure investment accounts are reconciled and properly reflected in the general ledger.*

Finding 2024-005 Promises to Give (Control Deficiency)

WSSU Foundation has not collected on promises to give from alumnus and/or donors based on WPG analysis of the general ledger accounts. The collection activity has been ineffective the last few fiscal years. Therefore, WPG proposed an adjusting journal entry to write-off the promise to give balance of \$559,466 until collection activity improves.

We recommend WSSU Foundation proactively engage alumnus and donors, including written and verbal communication for significant promises to give.

Management's Response – *The Foundation is not involved with pledge collections; this is done by the University's Advancement team.*



Murphy and Company, P.C.
Atlanta Office
1475 Klondike Road, Suite 100
Conyers, Georgia 30094
(404) 874-0555 • (404) 874-0601

“Integrity First. Excellence Always”



February 11, 2025

To the Board of Directors
S.G. Atkins Community Development
1922 South Martin Luther King Jr. Drive
Winston-Salem, NC 27107

We have audited the financial statements of the S.G. Atkins Community Development (“the Organization”), as of and for the year ended June 30, 2024, and have issued our report thereon dated February 11, 2025. Professional standards require that we advise you of the following matters relating to our audit:

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 23, 2024, our responsibility as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Materiality

Financial Accounting Standards Codification, *Qualitative Characteristics of Accounting Information*, defines materiality as the “magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.” In planning and performing the audit, we used professional judgment to determine a level of performance materiality of \$4,500. Factors considered in this evaluation included the components of the financial statements believed to be the most critical to users and the extent of adjustment detected in prior audits.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Organization's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 1 to the financial statements. The Organization adopted FASB ASC 326, *Credit Losses*, during the year ended June 30, 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are present value of useful lives of property and equipment.

We evaluated the key factors and assumptions used to develop the present value of useful lives of property and equipment and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Organization's financial statements relate to fair value of investments.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Organization's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in that letter dated February 11, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditor.

* * * * *

This report is intended solely for the information and use of the Board of Directors of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the time and consideration extended to us by the Organization's personnel during our audit. If we can be of further assistance, or if you have any questions, please do not hesitate to contact us.

Very truly yours,

DMQPS PLLC

Certified Public Accountants
Greensboro, North Carolina



**S.G. ATKINS COMMUNITY
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
S.G. Atkins Community Development Corporation
Winston-Salem, North Carolina

Opinion

We have audited the financial statements of S.G. Atkins Community Development Corporation ("the Organization"), a nonprofit organization, which are comprised of the statements of financial positions, as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2024 and 2023, and the results of its activities, functional expenses and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audits of the Financial Statements*** section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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

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, which raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audits 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 generally accepted auditing standards 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.

Opinion

In performing audits in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Organization'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, which raise substantial doubt about the Organization'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

DMQPS PLLC

Certified Public Accountants
Greensboro, North Carolina

February 11, 2025

**S.G. ATKINS COMMUNITY
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

ASSETS

	2024	2023
Current Assets		
Cash and cash equivalents	\$ 376,025	\$ 604,944
Rent receivable	21,549	19,504
Receivable from funding source	13,900	18,413
Total Current Assets	<u>411,474</u>	<u>642,861</u>
Property and Equipment		
Land	215,000	215,000
Buildings	4,875,016	4,875,016
Machinery and Equipment	201,146	201,146
Furniture and fixtures	45,060	45,060
Construction in progress	4,494	-
	<u>5,340,716</u>	<u>5,336,222</u>
Less: accumulated depreciation	<u>1,570,513</u>	<u>1,439,121</u>
Net Property and Equipment	<u>3,770,203</u>	<u>3,897,101</u>
Noncurrent Assets		
Property held for resale	477,300	279,900
Total Noncurrent Assets	<u>477,300</u>	<u>279,900</u>
Total Assets	<u>\$ 4,658,977</u>	<u>\$ 4,819,862</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 8,989	\$ 34,765
Deferred rent	11,571	-
Total Current Liabilities	<u>20,560</u>	<u>34,765</u>
Noncurrent Liabilities		
Security deposits	10,704	10,433
Notes payable	139,276	139,276
Deferred notes payable	1,584,000	1,584,000
Total Noncurrent Liabilities	<u>1,733,980</u>	<u>1,733,709</u>
Total Liabilities	<u>1,754,540</u>	<u>1,768,474</u>
Net Assets		
Without donor restrictions	2,748,150	2,824,938
With donor restrictions	156,287	226,450
Total Net Assets	<u>2,904,437</u>	<u>3,051,388</u>
Total Liabilities and Net Assets	<u>\$ 4,658,977</u>	<u>\$ 4,819,862</u>

See auditor's report and notes to financial statements.

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grant income	\$ 342,855	\$ -	\$ 342,855
Donations	3,800	-	3,800
Interest income	8,401	-	8,401
Rental income	182,485	-	182,485
Event Income	186,086	-	186,086
In-kind salaries	92,841	-	92,841
Other support	369,524	-	369,524
Loss on sale of homes	-	-	-
Net assets released from restrictions	70,163	(70,163)	-
Total Revenue and Support	1,256,155	(70,163)	1,185,992
Expenses			
Program services	1,216,633	-	1,216,633
General and administrative	116,310	-	116,310
Total Expenses	1,332,943	-	1,332,943
Change in Net Assets	(76,788)	(70,163)	(146,951)
Net Assets, beginning	2,824,938	226,450	3,051,388
Net Assets, ending	\$ 2,748,150	\$ 156,287	\$ 2,904,437

See auditor's report and notes to financial statements.

Exhibit B

2023		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 447,935	\$ -	\$ 447,935
10,340	-	10,340
996	-	996
211,543	-	211,543
159,533	-	159,533
91,475	-	91,475
(456)	-	(456)
(17,534)	-	(17,534)
23,550	(23,550)	-
927,382	(23,550)	903,832
1,023,300	-	1,023,300
132,545	-	132,545
1,155,845	-	1,155,845
(228,463)	(23,550)	(252,013)
3,053,401	250,000	3,303,401
<u>\$ 2,824,938</u>	<u>\$ 226,450</u>	<u>\$ 3,051,388</u>

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2024 and 2023

	2024		
	Program Services	General & Administrative	Total
Advertising	\$ 4,432	\$ 3,902	\$ 8,334
Credit losses	15,315	-	15,315
Bank fees	2,604	974	3,578
Consultants	32,787	-	32,787
Depreciation	127,450	3,942	131,392
Enterprise Project expenses	195,006	-	195,006
Insurance	15,466	-	15,466
Kitchen expenses	17,421	-	17,421
Office expenses	82,018	205	82,223
Payroll taxes and fringe benefits	40,519	8,238	48,757
Professional services	-	41,820	41,820
Program expenses	13,700	-	13,700
Projects	102,231	-	102,231
Property taxes	3,779	-	3,779
Salaries	334,137	57,230	391,367
In-kind salaries	92,841	-	92,841
Travel, conferences, and mileage	17,686	-	17,686
Grants awarded	49,498	-	49,498
Utilities	69,742	-	69,742
Total Expenses	\$ 1,216,633	\$ 116,310	\$ 1,332,943

See auditor's report and notes to financial statements.

2023		
Program Services	General & Administrative	Total
\$ 5,811	\$ 3,186	\$ 8,997
2,400	-	2,400
2,485	1,193	3,678
4,248	-	4,248
129,052	3,991	133,043
187,785	-	187,785
12,971	-	12,971
37,807	-	37,807
66,323	373	66,696
22,292	12,653	34,945
-	51,856	51,856
14,934	-	14,934
46,758	-	46,758
3,760	-	3,760
274,171	59,293	333,464
91,475	-	91,475
26,011	-	26,011
28,829	-	28,829
66,188	-	66,188
<u>\$ 1,023,300</u>	<u>\$ 132,545</u>	<u>\$ 1,155,845</u>

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ (146,951)	\$ (252,013)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	131,392	133,042
(Increase) decrease in operating assets:		
Rent receivable	(2,045)	126
Receivable from funding source	4,513	67,964
Increase (decrease) in operating liabilities:		
Accounts payable	(30,270)	(55,965)
Deferred rent	11,571	-
Security deposits	271	(726)
Net Cash Used in Operating Activities	<u>(31,519)</u>	<u>(107,572)</u>
Cash Flows from Investing Activities		
Sale of property held for resale	(197,400)	38,644
Construction in process	<u>-</u>	<u>249,601</u>
Net Cash Provided by (Used in) Investing Activities	<u>(197,400)</u>	<u>288,245</u>
Cash Flows from Financing Activities		
Payments on construction loan	<u>-</u>	<u>(108,771)</u>
Net Cash Used in Financing Activities	<u>-</u>	<u>(108,771)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(228,919)	71,902
Cash and Cash Equivalents, beginning	<u>604,944</u>	<u>533,042</u>
Cash and Cash Equivalents, ending	<u><u>\$ 376,025</u></u>	<u><u>\$ 604,944</u></u>
NonCash Disclosure of Investment and Financing Transactions		
Legal fees capitalized	\$ (4,494)	\$ -
Legal fees in accounts payable	4,494	-
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See auditor's report and notes to financial statements.

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION**NOTES TO FINANCIAL STATEMENTS****June 30, 2024 and 2023****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Business Operations**

S.G. Atkins Community Development Corporation (“the Organization”) is a private nonprofit corporation established by Winston-Salem State University (“WSSU”) to provide university community leadership in the revitalization and development of a section of an east Winston-Salem neighborhood, including housing restoration and overall economic development.

Financial Statement Presentation

The Organization reports financial information regarding its financial position and activities according to the following two (2) classes of net assets:

Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired.

Net assets with donor restrictions contain stipulations imposed by donors. They contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization. They also contain donor-imposed restrictions that stipulate the resources be maintained permanently but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenue Recognition

Revenue is derived primarily from grants, selling fees, and event hosting. The Organization records grants received as either increases in net assets without donor restrictions, or increases in net assets with donor restrictions, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Due to the nature of the Organization’s business, there is typically no significant variable consideration, such as discounts, allowances, and returns. However, if variable consideration is deemed significant, variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

Grants, Accounts Receivable, and Allowance for Credit Losses

Accounts receivable consists predominantly of rent receivable from tenants and grants receivable. The allowance estimate is derived from a review of the Organization’s historical losses based on the aging of receivables. This estimate is adjusted for management’s assessment of current conditions and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization’s portfolio segments have remained consistent since the Organization’s inception. As of June 30, 2024 and 2023, the Organization recorded an allowance for credit losses of \$0. When the Organization identifies an uncollectible account, the Organization writes-off the receivable.

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Other Revenue**

Other support consists predominately of selling fees and other revenue outside the scope of normal business operations. Other support for the years ended June 30, 2024 and 2023, were \$369,524 and (\$456), respectively.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all cash investments with a purchased maturity of three (3) months or less to be cash equivalents.

Property Held for Resale

The Organization acquires residential properties which are to be renovated or demolished and replaced with new construction and sold to new owners.

Property and Equipment

Property and equipment purchases over \$500 are capitalized and recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated over their useful lives using the straight-line method.

Liquidity

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following:

	2024	2023
Financial assets available:		
Cash and cash equivalents	\$ 376,025	\$ 604,944
Rent receivable	21,549	19,504
Receivable from funding source	13,900	18,413
Total financial assets available	411,474	642,861
Less: amounts unavailable for general expenditures within one year due to:		
Restricted for pre-development expenses	(156,287)	(226,450)
Total financial assets and liquidity resources available within one year	<u>\$ 255,187</u>	<u>\$ 416,411</u>

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted, as necessary.

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION**NOTES TO FINANCIAL STATEMENTS****June 30, 2024 and 2023****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*****Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses, including functional allocations during the reporting period. Actual results could differ from those estimates.

Donated Services

Donated services income is recognized for the services of Carol Davis, Executive Director. WSSU supplies the salary for her position at the Organization.

Income Tax Status

The Organization is classified as Section 501(c)(3) under the federal Internal Revenue Code. As a result, it has been determined to be exempt from federal and state income taxes.

The Organization accounts for uncertain income tax positions by prescribing a minimum probability threshold that a tax position must meet before a financial statement income tax benefit is recognized. The minimum threshold is defined as a tax position, based solely on its technical merits, that would more likely than not be sustained upon examination by the relevant tax authority with knowledge of the same facts. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate resolution. Based on all known facts, circumstances, and current tax law, the Organization believes the total amount of uncertain income tax position liabilities and related accrued interest are not material to its financial position.

As of June 30, 2024, and including the previous three (3) years considering extensions, the Organization's income tax returns are open and subject to examination by tax authorities with relevant jurisdiction. Should such an examination take place, management does not anticipate any significant issues related to the open years.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2024 and 2023, were \$8,334 and \$8,997, respectively.

Expense Allocation

The costs of providing programs have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted on the basis of personnel resources devoted to the functional activities of the Organization. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

2. CASH AND CASH EQUIVALENTS

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 for all accounts. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2024, the Organization had an uninsured cash balance of \$0. As of June 30, 2023, the Organization had an uninsured cash balance of \$118,953.

3. PROPERTY AND EQUIPMENT

Property and equipment, as of June 30, consists of the following:

	2024	2023
Buildings	\$ 4,875,016	\$ 4,875,016
Equipment	201,146	201,146
Furniture and fixtures	45,060	45,060
Land	215,000	215,000
Construction in progress	4,494	---
	5,340,716	5,336,222
Less: accumulated depreciation	(1,570,513)	(1,439,121)
	<u>\$ 3,770,203</u>	<u>\$ 3,897,101</u>

Depreciation expense charged to operations was \$131,392 and \$133,043 for the years ended June 30, 2024 and 2023, respectively.

4. NOTES PAYABLE

In June 2013, the Organization entered into a loan agreement with the City of Winston-Salem ("the City") to fund their Revitalization Project. The City agreed to fund the construction of five (5) separate housing units, for up to \$120,000 each, or \$600,000 in the aggregate. The funds were to be used for the acquisition of condemned properties, needed demolition, rehabilitation, and construction of five (5) new single-family housing units. The funds are available for advance at such time as the Organization needs them. As such, payment and interest on the note is deferred until such time that is one year after all five (5) houses have been constructed. At this time, interest shall begin to accrue at 3% per annum until the maturity date, which is defined as three (3) years after interest starts accruing [four (4) years after the houses are complete; i.e., the completion date]. No set payments are required until the maturity date, at which time all principal and accrued interest shall be due.

As of June 30, 2024 and 2023, \$139,276 had been advanced on the loan. As of the report date, the Organization has begun construction on the new homes.

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

4. NOTES PAYABLE *[cont'd]*

Future maturities of these notes payable are as follows:

2025	\$	---
2026		---
2027		---
2028		---
Thereafter		139,276
Total	\$	139,276

5. DEFERRED NOTES PAYABLE

In October 2010, the Organization entered into an interest-free, deferred loan agreement with the City for the purpose of rehabilitating a property from the Salvation Army and converting said property into an Enterprise Center. The original amount of the deferred loan was \$710,000, with an amendment increasing the amount to \$919,000 in February 2012, and another amendment increasing the amount to \$1,419,000 in June 2014. If the Organization complies with the covenants, terms, and conditions of the deferred loan agreement, this loan may be canceled at the discretion of the City.

The outstanding principal of the loan was \$1,419,000, as of June 30, 2024 and 2023.

In November 2016, the Organization entered into an interest-free, deferred loan agreement with the City for the purpose of creating a licensed commercial kitchen inside the Enterprise Center. At the end of the twenty (20)-year term, the loan may be canceled at the discretion of the City, as long as the Organization complies with the covenants, terms, and conditions of the deferred loan agreement.

The outstanding principal of the loan was \$165,000, as of June 30, 2024 and 2023.

The total deferred notes payable balance, as of June 30, 2024 and 2023, was \$1,584,000.

6. CONTINGENCIES

Grants and loans from governmental agencies and foundations require the fulfillment of certain conditions as set forth in the instruments of the grant or loan. Failure to fulfill the conditions could result in the return of funds to grantors or lenders. Although this is a possibility, management deems the contingency remote, since by accepting the grants and loans and their terms, management has accommodated the objectives of the Organization to provisions of the grants and loans.

7. RETIREMENT PLAN

The Organization has a defined contribution plan covering all of its employees. The Organization makes a contribution to an Individual Retirement Account equal to 5% of all participants' compensation. Total expenses related to this plan were \$2,752 and \$1,392 for the years ended June 30, 2024 and 2023, respectively.

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

8. NET ASSETS WITH DONOR RESTRICTIONS

The Organization had the following net assets with donor restrictions, as of June 30:

	2024	2023
Purpose restrictions:		
Grant monies restricted for pre-development expenses	\$ 156,287	\$ 226,450
Total Net Assets with Donor Restrictions	\$ 156,287	\$ 226,450

9. NET ASSETS RELEASED FROM RESTRICTIONS

The Organization had the following net assets released from donor restrictions during the years ended June 30:

	2024	2023
Purpose restrictions:		
Grant monies restricted for pre-development expenses	\$ 70,163	\$ 23,550
Total Net Assets Released from Restrictions	\$ 70,163	\$ 23,550

10. RELATED PARTY TRANSACTIONS

WSSU is considered a related party of the Organization due to overlapping board members. WSSU also pays the Organization's Executive Director's annual salary. This salary and related employer FICA taxes amounted to \$92,841 and \$91,475 for the years ended June 30, 2024 and 2023, respectively.

As of June 30, 2024 and 2023, WSSU owed the Organization \$0 in rent, respectively. Rental revenue recognized from WSSU for the years ended June 30, 2024 and 2023, was \$0 and \$36,440. As of June 30, 2024, WSSU no longer occupies the space.

11. LEASES - LESSORS

The Organization has various leases for office space, which generate rental income from tenants for the Organization. The Organization's tenant base is primarily small businesses. Tenant leases generally have lease terms of twelve (12) months or less. The Organization had rental income for the years ended June 30, 2024 and 2023, of \$182,485 and \$211,543, respectively.

12. ADOPTION OF FASB ASC 326

In June 2016, the FASB issued guidance (FASB ASC 326) *Financial Instruments—Credit Losses* which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

S.G. ATKINS COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

13. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through February 11, 2025, the date the financials were available to be issued.



MEMORANDUM

TO: WSSU Audit and Grievance Committee
FROM: Rod Isom, Chief Audit Officer
DATE: Monday, September 9 (date memo prepared)
SUBJECT: Internal Audit Activity Summary

Below, please find informational summaries for the following internal audit activities:

A. Board Essential Relationship & Internal Audit Charters*

Guidance and governance documents related to the IA function are shared on an annual basis for awareness.

- 1) Essential Relationships with the Board
- 2) IA Charter – No changes, provided for awareness
- 3) Audit & Grievance Committee Charter – No changes, provided for awareness

B. Summary of Operations & Audit Activity for Fiscal Year 2025*

Review of IA's performance metrics and other activity for the previous fiscal year.

- 1) IA's Annual Report

C. Recent Reports and Other Communication*

Recent reports or other audit communications of key projects that have been completed since previous committee meeting will be discussed.

- 1) Follow-up Review – OSA 90 Day – Higher Education Institutional Aid (Title III)
- 2) Follow-up Review – Monitoring IA Outstanding Observations - Internal

D. Other Activities and Matters*

Other relevant matters or significant activities related to the IA function, the profession, or risk in general will be discussed.

- 1) Quality Assurance and Improvement Program (QAIP) Results

*Additional information related to this item or any internal audits or reviews released prior to the meeting will be provided at the meeting.

Board Essential Relationship & Internal Audit Charters

The following information has been previously shared and is being provided for awareness and part of IA's annual communication.

Board Essential Relationship:

- The new Global Internal Audit Standards, which governs IA practices, became effective January 2025. The new standards identified essential conditions, which are activities of the board and senior management that enable the internal audit function's success. The essential conditions are part of Domain III, "Governing the Internal Audit Function", and consists of three principles (Principle 6 – Authorized by the Board, Principle 7 – Positioned Independently, and Principle 8 – Overseen by the Board) and nine standards.
- The board, senior management, and internal audit have a unique partnership in driving organizational success. See the associated *Essential Relationship with Board* document for additional guidance that outlines expectations.

Internal Audit Related Charters:

- The Internal Audit Charter is a formal document that includes the internal audit function's mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications. See the associated *Office of Internal Audit Charter* for additional guidance. Note that cosmetic changes were made (updated the change in committee name) but does not required approval.
- The committee charter provides governance and expectation of the Audit & Grievance Committee. See the associated *Audit & Grievance Committee Charter* and *Procedures* documents for additional guidance. No changes made and no approval needed.

Global Internal Audit Standards

The Essential Relationship Between the Board and the Internal Audit Function: Opportunities for Board Engagement



The Institute of
Internal Auditors

The Importance of Internal Auditing

An effective internal audit function will enhance:



The board's ability to exercise its oversight responsibilities.



Senior management's ability to achieve organizational objectives.



The organization's ability to create, protect, and sustain value.

Thus, the board, senior management, and internal audit have a unique partnership in driving ***organizational success***.

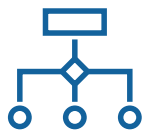
All three parties must support each other to enable that success.



Enabling Effective Internal Auditing



Key to successful achievement of organizational objectives.



Appropriate governance arrangements enable internal audit to fulfill expectations.



The board and senior management are essential to the internal audit function's success.



“Essential conditions” build an effective partnership between the board, senior management, and the CAE.

Governing the Internal Audit Function

Principle 6 – Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

Principle 7 – Positioned Independently

The board establishes and protects the internal audit function's independence and qualifications.

Principle 8 – Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.



What We Need from You –

Principle 6 Authorized by the Board

- ❖ Determine the appropriate authority, role, and responsibilities of the internal audit function (internal audit mandate).
- ❖ Approve charter, plan, budget, and resource plan.
- ❖ Ensure the CAE reports to a level that allows internal audit to fulfill its mandate.
- ❖ Specify that internal audit should have unrestricted access to data, records, information, personnel, and physical properties.
- ❖ Inquire whether any restrictions exist that limit the internal audit function's ability to carry out its responsibilities.
- ❖ Meet periodically with the CAE in private.

What We Need from You –

Principle 7 – Positioned Independently

- ❖ A direct reporting relationship with the CAE and the internal audit function.
- ❖ Authorize the appointment and removal of the CAE.
- ❖ Engage with senior management to appoint a qualified, competent CAE to manage the internal audit function.
- ❖ Provide input to support the CAE's performance evaluation and remuneration.
- ❖ Approve CAE roles or responsibilities beyond the scope of internal auditing.
- ❖ Establish appropriate safeguards if CAE roles and responsibilities impair the internal audit function's independence.

What We Need from You

Principle 8 – Overseen by the Board

- ❖ The board's perspective on organizational strategies, objectives, and risks to assist the CAE with determining internal audit priorities.
- ❖ Set expectations with the CAE for:
 - The frequency with which the board wants to receive communications from the CAE.
 - The criteria for determining which issues should be escalated to the board.
 - The process for escalating matters of importance to the board.

What We Need from You

Principle 8 – Overseen by the Board *(continued)*

- ❖ Discuss any disagreements with senior management or other stakeholders.
- ❖ Collaborate with senior management to ensure internal audit has sufficient resources.
 - Consider the impact of insufficient resources on the internal audit mandate and plan.
 - Engage with senior management and the CAE on a solution if resources are determined to be insufficient.

What We Need from You

Principle 8 – Overseen by the Board *(continued)*

- ❖ Discuss the QAIP with the CAE.
- ❖ Approve internal audit's performance objectives at least annually.
- ❖ Assess the effectiveness and efficiency of the internal audit function.
- ❖ Discuss an EQA of the internal audit function conducted by an independent, qualified assessor or assessment team.
- ❖ Collaborate with the CAE to determine the scope and frequency of the EQA.
- ❖ Review and approve the CAE's plan for an EQA.
- ❖ Receive EQA results from the assessor.
- ❖ Review and approve the CAE's plans to address deficiencies and opportunities for improvement.
- ❖ Approve a timeline for action plan completion and monitor progress.

Summary



An effective internal audit function enables good corporate governance and the organization's ability to create, protect, and sustain value.



A partnership among the board, senior management, and the CAE is critical to achieving effective internal auditing.



The Global Internal Audit Standards require much from the CAE that, if achieved, will result in an effective internal audit function.



The board and senior management provide necessary support to the CAE and enable effective internal auditing.



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Audit & Grievance Committee Charter

Purpose

The Committee acts on behalf of the Board of Trustees to provide independent oversight of the University's audit, risk management, and compliance functions, as well as the University's internal control practices.

The Committee also addresses appeals from the decisions of the Chancellor as prescribed by the University Code, policies of the Board of Governors, or regulations of the Board of Trustees. The Committee is authorized to act on behalf of the full Board of Trustees relating to appeals. At the next regularly scheduled meeting of the Board, a report will be made of the Committee's actions and any recommendations.

Meetings

The Committee meets as necessary between regular Board meetings.

Membership

The Committee shall be comprised of at least (5) but not more than seven (7) members as determined by the Board Chairperson.

Adopted: March 3, 2025



Audit and Grievance Committee Operating Procedures

I. Authority

The Audit and Grievance Committee ("Committee") is a standing Committee of the Winston-Salem State University ("University") Board of Trustees ("Board"). The Committee acts on behalf of the Board of Trustees to provide independent oversight of the University's audit and internal control practices¹. The Committee also oversees the university's risk management and compliance activities by reviewing and assessing strategies, frameworks, and policies, and by providing guidance and recommendations².

Subject to the prior approval of the Board, the Committee is granted the authority to investigate any matter or activity involving financial accounting and financial reporting, as well as the University's internal control, risk management, and compliance matters.

The Committee also addresses appeals from the decisions of the Chancellor as prescribed by the University Code, policies of the Board of Governors, or regulations of the Board of Trustees. The Committee is authorized to act on behalf of the full Board of Trustees relating to appeals. At the next regularly scheduled meeting of the Board, a report will be made of the Committee's actions and any recommendations for further action as necessary.

The committee may, at its discretion, contract with attorneys, accountants, consultants, and other experts from time to time to assist in its oversight role.

II. Membership

Committee members:

- A. Must be independent of the University and any University associated entity³ management and free of any relationship that would impair the member's independence.

¹ The Committee's specific responsibilities concerning oversight of the University's Office of Internal Audit are outlined separately in the Office of Internal Audit Charter.

² The Committee is not responsible for day-to-day management, which is the role of the university's executive management team. The Committee ensures effective systems, processes, and controls are in place and functioning but does not engage in direct administration or operations.

³ The term "Associated Entity" is defined and describe in Section 600.2.5.2[R] of the UNC Policy Manual, and includes, "any foundation, association, corporation, limited liability company (LLC), partnership, or other nonprofit entity: (1) that was established by officers of the University; or (2) that is controlled by the University; or (3) that raises funds in the name of the University; or (4) that has a primary purpose of providing services or conducting activities in furtherance of the University's mission pursuant to an agreement with the University; or (5) that has a tax-exempt status that is based on being a support organization for the University."

- B. May not receive, directly or indirectly, consulting, advisory, or other fees from the University, associated entities of the University, the UNC System, or outside contractors hired to perform special engagements.
- C. Should collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk management, compliance, and principles of internal control to respond to regulatory, economic, reporting, and other emerging developments and needs.

III. Meetings

The Committee will invite, when needed, external and internal auditors, representatives of the Office of the State Auditor, and others to attend the meetings and provide pertinent information as required and requested. The Committee will communicate its information requirements, including the nature, extent, and timing of information. The Committee expects all communication with University management, staff, and external assurance providers to be direct, open, and complete.

The Committee shall be supported and staffed by the University's legal affairs, internal audit, and risk management/compliance staff.

IV. Responsibilities

With regards to each topic listed below, the Committee has the following responsibilities:

A. Financial Statements

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
2. Review with management and the external auditors the results of the audit, including any difficulties encountered.
3. Review the annual financial statements and other sections of the annual report and related regulatory filings.
4. Review with management and the external auditors all matters required to be communicated to the committee under auditing standards.
5. Understand how management develops financial information, and the nature and extent of internal and external auditor involvement.

B. Internal Control

1. Review the effectiveness of the internal control system, including information technology security and control, through activities of the internal and external auditors.
2. Understand the scope of internal and external auditor's reviews of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
3. Determine whether recommendations made by the internal and external auditors have been implemented by management.

C. Internal Audit

- I. Review with management and the chief audit officer (CAO) the charter, activities, staffing, and

organizational structure of the internal audit function. Consider and review any changes to the scope of the internal audit charter. Given the CAO's reporting structure, ensure there are safeguards in place to limit impairments to independence or objectivity.

2. Have final authority to review and approve the annual audit plan, the internal audit budget and resource plan, and all major changes to the plans.
3. Ensure there are no unjustified restrictions, limitations or interferences, and review and concur in the appointment, compensation, replacement, or dismissal of the CAO.
4. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
5. On a regular basis, meet separately with the CAO to discuss any matters that the committee or internal audit believes should be discussed privately.

D. External Audit

1. Review the external auditors' proposed audit scope and approach.
2. Review the performance of the external auditors and exercise final approval on their appointment or discharge.
3. Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

E. Compliance

1. Receive reports regarding university compliance matters.
2. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of noncompliance.
3. Review the findings of any examinations by regulatory agencies and any auditor observations.
4. Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance.

F. Risk Management

1. Oversee the processes to identify, assess, prioritize, and manage general business risks. This includes the current risk environment, emerging risks, and the interrelationship between risks and the context of the university's risk appetite.
2. Receive reports from management regarding the risk environment for WSSU and ensure that management's responses to significant risks are appropriate, and that resources to address high priority risks are allocated appropriately.
3. Monitor and evaluate guidelines and policies to govern the process by which risk assessment and management is undertaken.

G. Information Governance and Security

1. Ensure that information governance and security is addressed in the annual audit planning and risk assessments that are conducted by the institution's internal auditor.
2. Periodically include an agenda item for emerging information governance and security matters at its regularly scheduled meetings.
3. Receive a report at least annually from the appropriate senior officer on the institution's information governance and security infrastructure and information technology security controls.

H. Reporting

1. Report to the Board of Trustees about committee activities, issues, and related recommendations.
2. Provide an open avenue of communication among internal auditing, risk and compliance managers, the external auditors, and the Board of Trustees.
3. Report annually to the UNC Board of Governors, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.
4. Review any other reports issued by the organization that relate to the Committee's responsibilities.

I. Complaints and Ethics

Ensure policies and procedures are established to allow employees to report allegations of improper activities.

J. Grievance and Appeals

Decide appeals of discharged or suspended employees with rights of appeal from the action of the chancellor as may be prescribed by the University Code, policies of the Board of Governors, or regulations of the Board of Trustees.

K. Other Responsibilities

1. Review and assess the adequacy of the Committee charter and procedures annually and request Board approval for updates as necessary.
2. Institute and oversee special investigations as needed.
3. Evaluate the Committee's and individual members' performance on a regular basis.
4. Consult with WSSU legal counsel to review any legal matters that may have a significant financial impact.
5. Ensure that members of the Office of Internal Audit receive continuing education annually and participate in the University of North Carolina Auditors' Association, the Institute of Internal Auditors, and other professional organizations in order to stay updated on professional standards, developments with audit, risk, and compliance procedures and other relevant issues.

The background of the slide features a black and white photograph of a modern building's exterior. On the right side, there is a large glass window reflecting the sky. Below and to the left of the window, a staircase with a metal railing is visible, leading upwards. The overall composition is geometric and architectural.

Internal Audit Annual Report

FY25 Summary of IA Activity

Audit Team Personnel

AUDIT TEAM:

- ROD ISOM, CHIEF AUDIT OFFICER
- CORY BILLINGS, AUDIT MANAGER
 - RICK BROWN, IT AUDITOR
- ROBERT DAVIS, INVESTIGATIVE AUDITOR

CERTIFICATIONS:

- CERTIFIED PUBLIC ACCOUNTANT (CPA)
 - CERTIFIED INFORMATION SYSTEMS AUDITOR (CISA)
 - CERTIFIED FRAUD EXAMINER (CFE)
 - CERTIFIED INTERNAL CONTROL AUDITOR (CICA)
- ~ ALL TEAM MEMBERS HOLD ATLEAST 1 CERTIFICATION*

100+
HOURS OF
CONTINUING
PROFESSIONAL
EDUCATION

Performance Metrics

Audit Plan Completion Percentage:

75% (15/20)

~ Target: 80%

UNCSA Projects

Completed: 9

(2 Shared Project)

**Total Projects Completed
by IA: 22**

Investigations:

100% of Allegations Reviewed

Audit Plan (Projects):

Planned – 14

Added – 9

Canceled/Deferred – 3

Total – 20

Completed – 15

In Progress – 3

Not Started/Carried Forward - 2

Recommendations:

**75% of Recommendations
reviewed were resolved**

~ Target: 90%

Reporting:

**Average of 68 Days from
Planning Meeting to Draft
Report**

~ Target: 100 Days Average

** The follow-up project was a year long initiative and
was not factored in this reporting metric.*

Advisory & Outreach Efforts

Trusted Advisor:

Various Governance Committees

- Campus Safety Committee
- Clery Compliance Committee
- Health & Wellness Governing Board
 - IMPACT
- Internal Controls Committee
- IT Governance, Risk, & Compliance Subcommittee

Campus Outreach & Education:

- Seminar on Associated Entities

Student Engagement & Success:

- Internal Audit's Student Intern Program

Communication & Reporting

FY25 Completed Projects & Reports:

- FY2024 Self Assessment Maturity Model (SAMM)
 - Planned: P-Card & T-Card Analytic – 12/19/24
 - Planned: Budget Process – 12/23/24
- System Office P-Card & T-Card Regulation Compliance **(Added)** – 3/10/25
 - Investigation: Advancement Gift Card **(Added)** – 6/11/25
 - Investigation: Improper Use of State Vehicles **(Added)** - 6/11/25
- Follow-up: OSA 90-Days – Higher Education Institutional Aid – Title III **(Added)** – 6/26/25
 - Investigation: Grant Nonpayment **(Added)** – 7/8/25
 - Follow-up: Monitoring Outstanding Observations – 7/10/25
 - Special Project: External Quality Assessment Review (QAR)
- Special Project: IT Security Assessment – Direct Deposit Assessment **(Added)**
- Special Project: IT Security Assessment – Business Email Compromise **(Added)**
 - Special Project: Complaint – Emergency Dean on Call **(Added)**
- Special Project: New IIA Standards & Implementation Project – Phase II
 - FY2026 Risk Assessment Process/Audit Plan

Completed audits and advisory services resulting in reports with 5 observations that produced **13** written recommendations for various departments. Additionally, conducted numerous consults with university personnel that resulted in email or verbal communications in lieu of formal reports.

FY25 KEY RISK REVIEW CONDUCTED:

- Budget Process

FY24 KEY RISKS REVIEWS CONDUCTED:

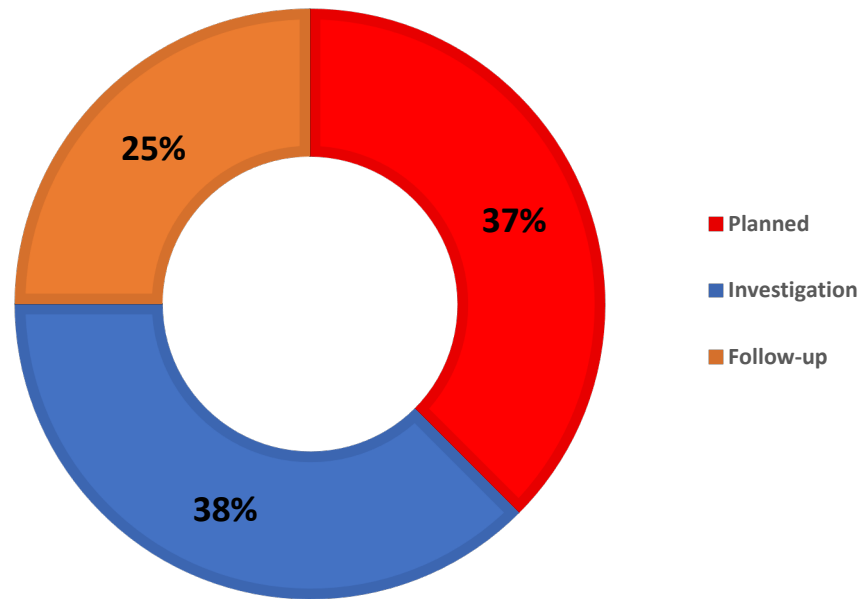
- Business Continuity & Disaster
 - Payroll
- Facility Infrastructure

FY23 KEY RISKS REVIEWS CONDUCTED:

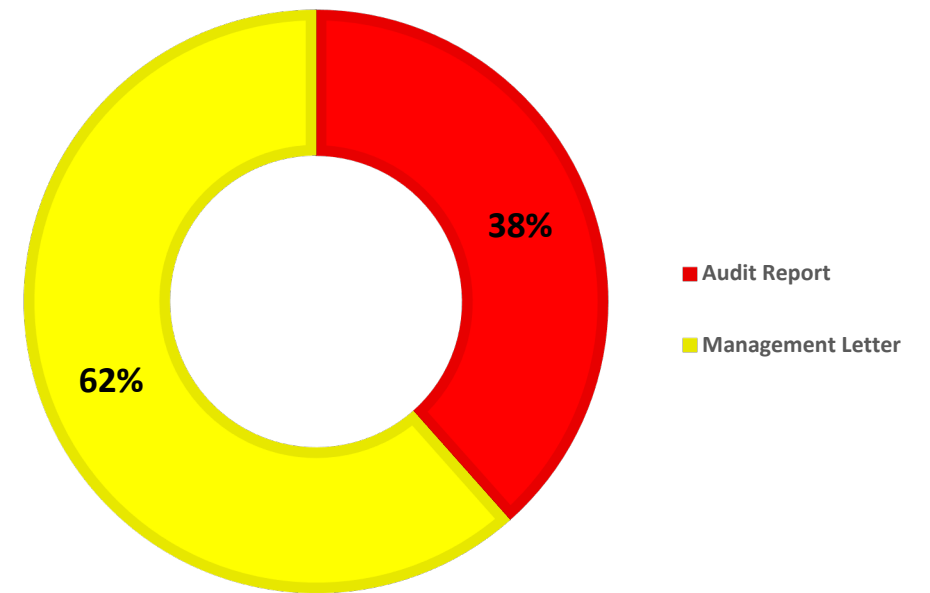
- Cybersecurity
- Enrollment Management
- Campus Safety

Communication & Reporting

TYPE OF REVIEW

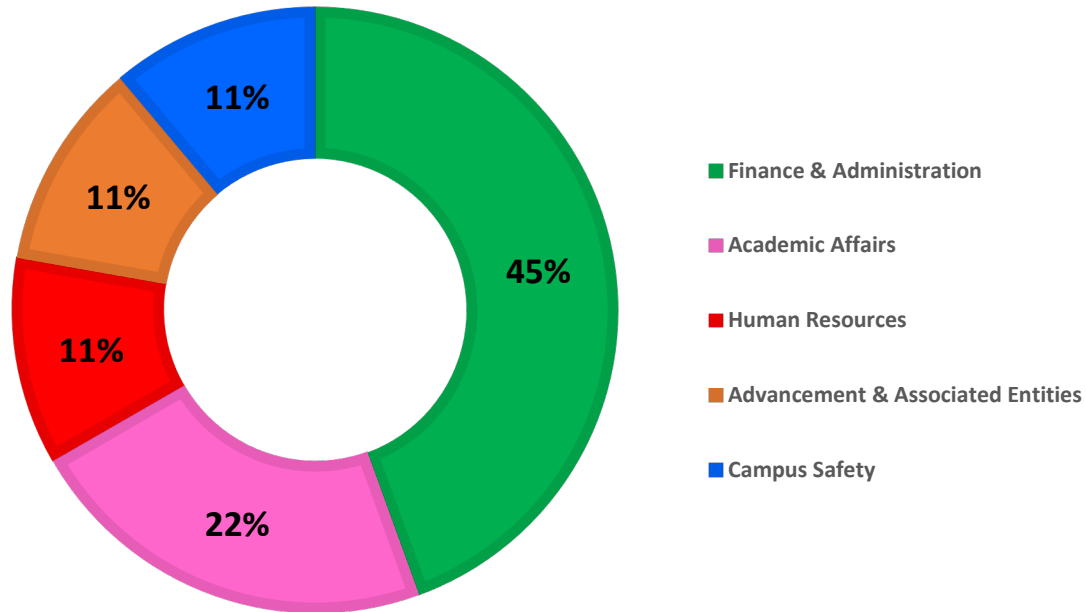


CLASSIFICATION OF RECOMMENDATIONS

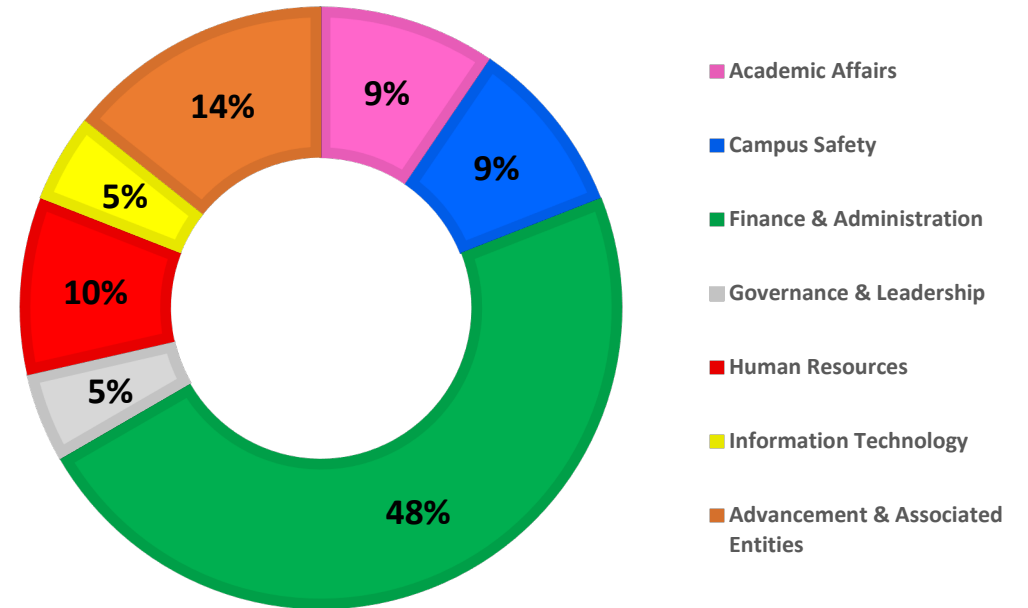


Review Type & Coverage

KEY AUDIT AREAS ADDRESSED BY PROJECTS



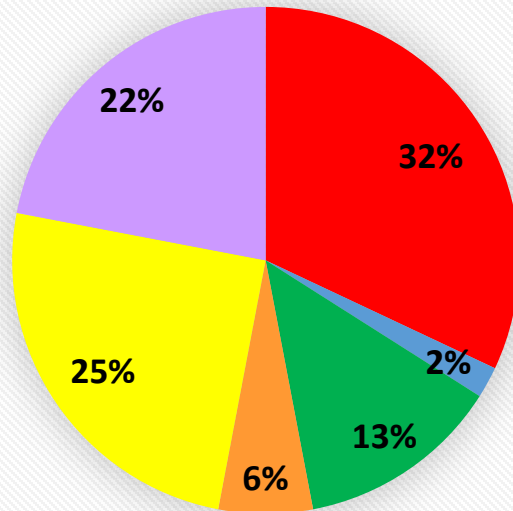
RECOMMENDATIONS BY AUDIT AREA



Planned vs Actual Hours

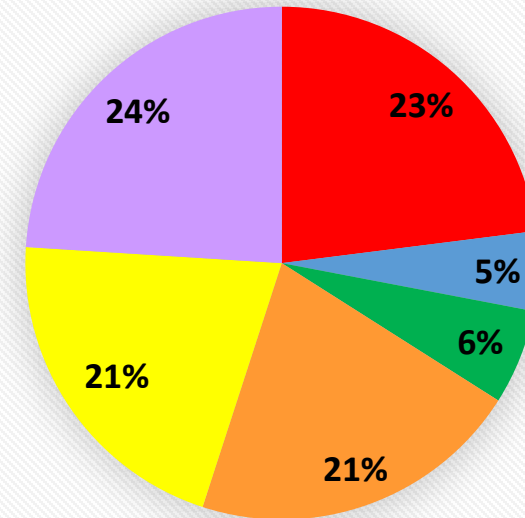
~Actual Hours were greater due to overtime worked.

Planned Hours = 8,320



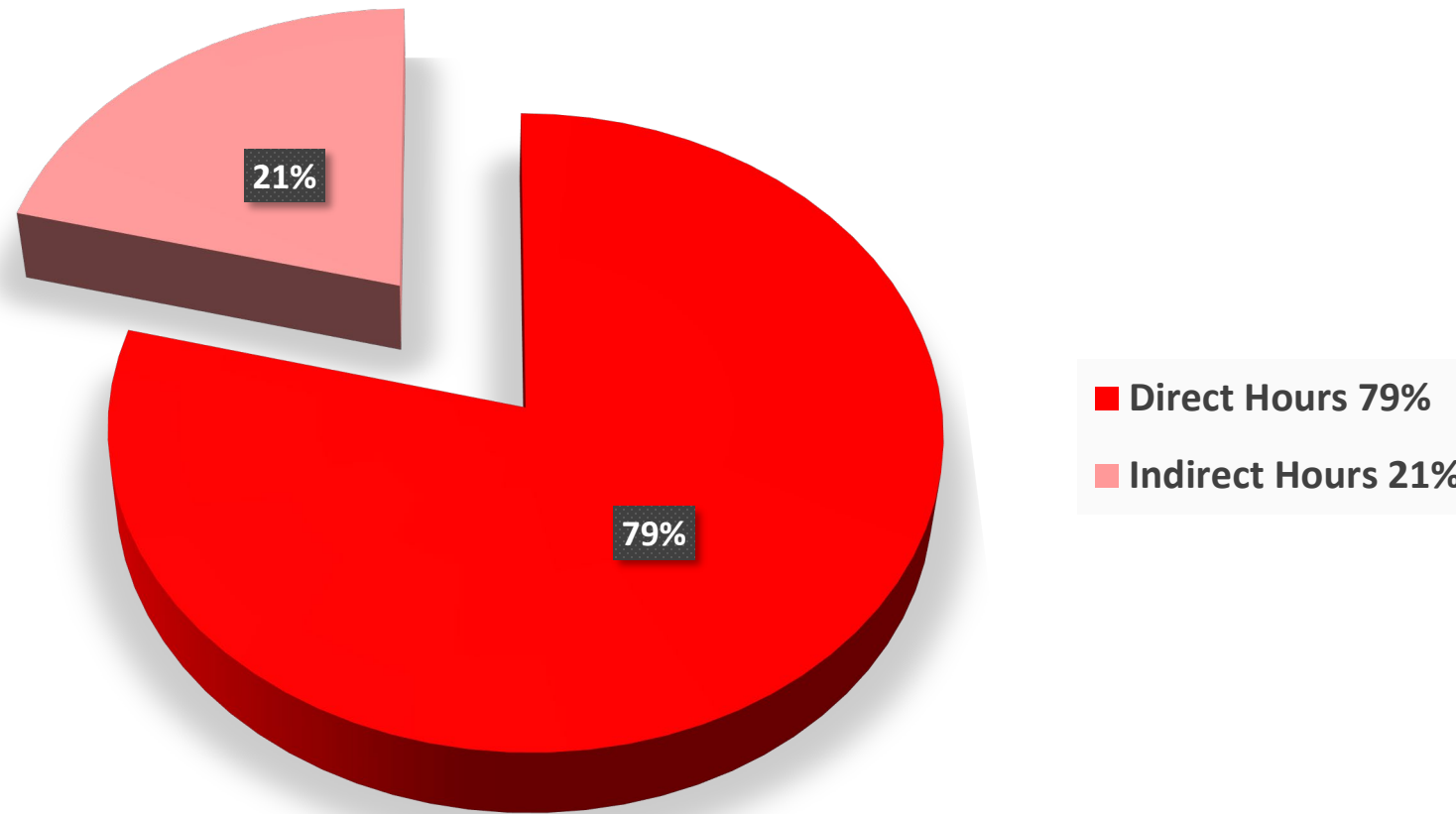
■ Audits - 32%	■ Investigations - 2%
■ Advisory - 13%	■ Other - 6%
■ Admin/Leave/Prof Dev - 25%	■ UNCSA - 22%

Actual Hours = 8,470



■ Audits - 23%	■ Investigations - 5%
■ Advisory - 6%	■ Other - 21%
■ Admin/Leave/Prof Dev - 21%	■ UNCSA - 24%

Direct vs Indirect Hours



Notable Accomplishments

External Quality Assessment Review (QAR):

- Received the highest rating, **Generally Conforms**, with no gaps
- Three Successful Internal Audit Practices noted:
 - 1) **Trusted Advisor** - The Office of Internal Audit (OIA) is viewed as a supportive trusted advisor to the organization and stakeholders clearly recognize the importance of OIA and see internal audit as a valued resource.
 - 2) **Adding Value to the Organization** - The Internal Audit team is dedicated to continuously adding value to the university by supporting key initiatives and fostering collaboration across campus.
 - 3) **Experienced Staff with Diverse Skill Set** - Internal Audit has cultivated a team of experienced professionals with a diverse range of skills, which enables the team to engage in a wide array of assignments and remain agile in delivering services to the organizations they support.

Implementation of Global Internal Audit Standards:

- New Internal Audit standards went into effect January 2025
- Gap assessment performed to enhance understanding and ensure conformance
- Surveyed key stakeholders to understand expectations
- New Internal Audit Strategic Plan created
- IA Charter updated to reflect audit's mandate
- Internal Audit policies and procedures updated
- Attended numerous trainings for greater understanding
- Key communications provided to Senior Management and The Board (Audit & Grievance Committee)

OFFICE OF INTERNAL **A**UDIT

REPORT

FOLLOW-UP - OSA 90 DAYS - HIGHER EDUCATION INSTITUTIONAL AID (TITLE III)



AUDIT TEAM

Cory Billings, Audit Manager

Rick Brown, Information Technology Audit Specialist

June 26, 2025

WINSTON-SALEM STATE UNIVERSITY

Committed to Excellence

Rod Isom, Chief Audit Officer

Institutional Values

As a community of learners, we uphold certain basic values that inform our thinking and guide our behaviors.

“Ramily” Matters

We care, serve, and inspire.

Be Fair

We are impartial and create unique opportunities for all to succeed.

Bring Your “A” Game

We exceed expectations because excellence is our standard.

Do the Right Thing

We act consistently with honor.

Create the Future

We challenge norms by generating fresh ideas and inventing new realities.

WINSTON-SALEM STATE UNIVERSITY



Engagements completed by the Office of Internal Audit are conducted in conformance with the *Global Internal Audit Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.



WINSTON-SALEM STATE UNIVERSITY

OFFICE OF INTERNAL AUDIT

Rod Isom, Chief Audit Officer

Blair Hall, Winston-Salem, North Carolina 27110

(336) 750-2065 | www.wssu.edu

June 26, 2025

Jennifer Myers, CPA, CFE
Chief Audit Officer
UNC System Office Internal Audit
223 S. West Street, Suite 1800
Raleigh, NC 27603

Dear Ms. Myers:

North Carolina G.S. 116-30.1 requires that the university make satisfactory progress toward resolving North Carolina Office of State Auditor's (OSA) findings within a three-month period. The following report addresses Internal Audit's (IA) assessment of the status of management's corrective actions to resolve the findings noted in OSA's Statewide Single Audit Report, released on April 4, 2025, concerning Winston-Salem State University (WSSU) and its noncompliance with Higher Education Institutional Aid.

The report includes a restatement of OSA's finding and recommendation, the university's response to OSA, and IA's assessment of management's corrective actions.

Respectfully Submitted,

Rod Isom
Chief Audit Officer

cc: Bonita J. Brown, J.D., Chancellor
Dr. Michael McKenzie, Interim Provost
Lisa McClinton, Vice Chancellor for Finance and Administration
Dana Dupree, Associate Vice Chancellor for Finance and Administration
Caryel Ivy, Director of Contracts and Grants
Dr. Everette Witherspoon, Title III Coordinator
Dr. Keyona Bostick, Associate Vice Chancellor for Human Resources
Dr. Ivey Brown, General Counsel and Vice Chancellor for Institutional Integrity
Tiffany Turner Lynch, Chief Compliance and Risk Officer
Audit and Grievance Committee, WSSU Board of Trustees

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BACKGROUND, OBJECTIVE, AND SCOPE

BACKGROUND:

This report addresses the status of the finding noted in OSA's Statewide Single Audit Report for the fiscal year ended 2024, released on April 4, 2025, concerning the university's compliance with federal government awards, specifically for Higher Education Institutional Aid [Title III¹]. OSA reported a finding and recommendation to management and, subsequently, management action plan was developed to explain how the recommendation would be implemented.

OBJECTIVE:

The objective of the IA review was to ascertain whether the university has made satisfactory progress toward resolving the OSA finding.

To conduct the review, IA performed the following procedures:

- Reviewed university policies and procedures;
- Interviewed university employees; and
- Examined, on a test basis, evidence supporting internal controls and compliance with the appropriate policies, where possible.

SCOPE:

The scope of our review included compliance with Title III laws and regulations after corrective actions were implemented on February 25, 2025.

This report presents the results of our review.

¹ Title III of the Higher Education Act helps eligible Institutions of Higher Education to become self-sufficient and expand their capacity to serve low-income students by providing funds to improve and strengthen the academic quality, institutional management, and fiscal stability of eligible institutions.

SUMMARY OF RESULTS

The IA review concluded that management has made satisfactory progress towards resolving OSA's finding related to *Inadequate Internal Controls Over Higher Education Program Expenditures*. IA noted that management has made efforts to reinforce approval requirements by ensuring automated system controls are routed properly to reduce the risk of unapproved transactions and by providing training to relevant employees. Management is also establishing a quarterly audit process of Title III expenditures that is planned to begin after the quarter ending June 30, 2025. Per management, the first quarterly audit will cover all expenditures since corrective actions were implemented in February 2025. IA testing of Title III expenditures paid after corrective actions were implemented revealed no exceptions, as all expenditures reviewed were properly approved.

See the next section entitled, *Restated Findings, Recommendations, and Resolution Status* for the details from the OSA report and details from IA's follow-up review.

Internal Audit will continue to monitor management's corrective actions during the 2025-2026 fiscal year for effective implementation and risk mitigation.

RESTATED FINDING, RECOMMENDATION, AND RESOLUTION STATUS
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FINDING:Inadequate Internal Controls Over Higher Education Program Expenditures

The University did not have adequate internal controls over Higher Education Institutional Aid (Higher Education) program expenditures to ensure compliance with federal requirements. During the period, the University disbursed \$9.67 million in expenditures under this program which is intended to strengthen the academic quality of institutions.

Auditors reviewed Higher Education program expenditures paid during the audit period and found expenditures that were not reviewed for compliance prior to disbursement. Specifically,

- In a sample of 40 payroll expenditures totaling \$372,901, auditors found three (7.5%) expenditures totaling \$20,672 that were not reviewed.
- In a sample of 40 operating expenditures totaling \$20,927, auditors found 10 (25%) expenditures totaling \$6,507 that were not reviewed.
- In a test of 16 capital expenditures totaling \$961,462, auditors found 15 (94%) expenditures totaling \$743,463 that were not reviewed.

As a result, there is an increased risk that federal funds may not be used in accordance with federal requirements, which may reduce funding otherwise available for use under the program.

The University's internal controls over federal compliance were ineffective due to a change in the electronic approval process during the period that inadvertently removed staff responsible for compliance from the list of required approvals.

Federal regulations² require the University to establish, document, and maintain effective internal control over the federal award that provides reasonable assurance that the University is managing the program in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Federal Award Information: Federal Awarding Agency: U.S. Department of Education; Assistance Listing Number (title): 84.031 (Higher Education Institutional Aid); Federal Award Identification Numbers (award periods): P031B220049 (October 1, 2022 – September 30, 2027), P031E200045 (October 1, 2020 – September 30, 2025), and P031B170037 (October 1, 2017 – September 30, 2023).

² 2 CFR 200.303(a) – Internal Controls.

RESTATED FINDING, RECOMMENDATION, AND RESOLUTION STATUS
RECOMMENDATION:

University management should ensure that electronic approval processes are periodically reviewed and verified by the staff responsible for compliance with federal requirements.

RESPONSE FROM WSSU:

Winston-Salem State University concurs with the findings and the recommendations provided by the State Auditor's Office.

Payments related to Title III expenditures have been processed without the required approval of the Title III administrator, leading to a lack of proper oversight and non-compliance with established internal controls.

We have strengthened the Approval Workflow by implementing system controls in People Admin, PAF, Works, and Chrome River to prevent payments from being processed without Title III administrator approval and ensuring all capital improvement invoices are routed through Adobe Sign for documented approval.

We will provide training for all relevant staff on Title III expenditure approval procedures and distribute a formal communication from Finance and Administration reinforcing the requirement for Title III administrator approval before payment processing. Additionally, employees responsible for payment processing will be required to complete training acknowledging their understanding of the approval requirements.

- Contracts and Grants will establish a process to perform quarterly audits to review transactions for compliance with approval workflows.

The Associate Vice Chancellor for Financial Services is responsible for execution and monitoring of corrective actions. The Director of Title III and the Director of Contracts and Grants are responsible for ensuring adherence to the approval procedures.

Corrective Action was Completed on: February 24, 2025.

RESULTS OF INTERNAL AUDIT'S FOLLOW-UP REVIEW OF ACTIONS TAKEN BY MANAGEMENT
CORRECTIVE ACTIONS IMPLEMENTED:

- Automated system controls for purchases and travel expenditures have been implemented to ensure that required Title III approvals are obtained. IA sampled Title III expenditures and did not identify any instances where applicable Title III approvals were not obtained.
- Title III training information was provided to relevant employees on June 23, 2025.

RESTATED FINDING, RECOMMENDATION, AND RESOLUTION STATUS
--

OPPORTUNITIES FOR IMPROVEMENT:

- While our testing did not reveal any errors, a review of the payroll form process noted that instructions were added to route requests to the Title III Office for approval, however, this relies on the process originator to correctly route the request. There is not a preventative system control that identifies that a Title III signature is needed based on the fund number identified on the form. Adding a verification step during the review process will help ensure appropriate approvals are obtained.
- The quarterly audit process will not take place until July (the first full quarter since corrective actions were implemented), however, according to management, the process will review expenditures since the corrective actions were implemented to ensure compliance with approval workflows.

INTERNAL AUDIT OPINION

It is our opinion that the university has made satisfactory progress toward resolving this finding.

RECOMMENDATION:

- The Office of Human Resources should determine if payroll actions can be routed based on the fund number. If they are unable to route the payroll actions, management should implement a detective procedure to verify that any payroll actions charged to Title III funds are properly approved by the Title III Coordinator before processing the requests.



THE UNIVERSITY OF NORTH CAROLINA SYSTEM

UNC SYSTEM OFFICE OF INTERNAL AUDIT

223 S. West Street, Suite 1800, Raleigh, NC 27603
(919) 843-9100 | internalaudit@northcarolina.edu

July 11, 2025

Dr. Bonita Brown
Winston-Salem State University
Office of the Chancellor
601 South Martin Luther King, Jr. Drive
Winston-Salem, NC 27110

Dear Chancellor Brown:

I am writing to inform you that Winston-Salem State University (WSSU) has made overall satisfactory progress in meeting the audit finding resolution requirements of General Statute 116-30.1 in relation to matters reported in the Statewide Single Audit Report released by the Office of the State Auditor (OSA) on April 4, 2025. On June 26, 2025, your Chief Audit Officer (CAO) reported that management has made satisfactory progress towards addressing the recommendations made by the OSA. In addition, your CAO stated that WSSU's Internal Audit will continue to monitor management's corrective actions during the 2025-2026 fiscal year. Since satisfactory progress has been made and this continued oversight will be completed, no further action is required, and the finding from the OSA Statewide Single Audit Report is considered resolved.

I appreciate your commitment, as well as that of your team, to making satisfactory progress towards resolving the issues reported. If you have any questions or concerns, please feel free to contact me.

Sincerely,

Jennifer K. Myers, CPA, CFE
Chief Audit Officer

cc: President Peter Hans
Andrea Poole, Chief of Staff
Jennifer Haygood, Senior Vice President for Finance and Administration & CFO
Andrew Tripp, Senior Vice President for Legal Affairs and General Counsel
Michael Vollmer, Chief Operating Officer
Dave Boliek, State Auditor
Lisa McClinton, Vice Chancellor for Finance and Administration, Winston-Salem State University
Kelley Mills, Vice Chancellor and Chief of Staff, Winston-Salem State University
Ivy Brown, Chief Legal Counsel, Winston-Salem State University
Rod Isom, Chief Audit Officer, Winston-Salem State University



WINSTON-SALEM
STATE UNIVERSITY

Office of Internal Audit

Rod Isom, Chief Audit Officer

1600 Lowery Street, Winston-Salem, North Carolina 27110

(336) 750-2065 | www.wssu.edu

Monitoring Report

To: Chancellor's Cabinet
From: Rod Isom, Chief Audit Officer *RF*
Date: July 10, 2025¹
Re: Monitoring Outstanding Observations – FY25 Report - External

This communication is to provide a status on the Office of Internal Audit (IA) outstanding observations as of fiscal year end, June 30, 2025. The Institute of Internal Audit Standards requires that a monitoring process be established to monitor the disposition of results communicated to management.

At the conclusion of IA's engagements, observations and proposed recommendations are discussed with management and, subsequently, a management action plan is developed to explain how the agreed-upon recommendations would be implemented.

The Strategic Plan identifies Institutional Excellence as an Institutional Commitment. One of the strategies related to Institutional Excellence states, "Coordinate planning, processes, and resource management to improve sustainability."

While no written response is required for the *Monitoring Report*, the remaining outstanding observations warrant management's continued attention provided that the following could lead to an increase in risk and other reportable observations in the future if not effectively addressed. See the 'Results' section for details from the review.

Background:

Standard 15.2 – *Confirming the Implementation of Recommendations or Action Plans* states that, "Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans...". To assist with demonstrating conformance, IA includes a follow-up project for outstanding observations on the annual IA Audit Plan.

¹ This report will count towards FY25 activity.

As part of IA monitoring procedures, IA strives to ensure risk owners receive a memo providing details related to the review and a response template to assist management with providing an update on the status of the observation(s) and corrective actions taken. In some cases where observations remain outstanding, if management has already been previously engaged, then communications will extend from the original engagement

Additional Information:

The UNC System Office changed reporting requirements during the summer of 2023, which required audit units to report the number of outstanding recommendations instead of reporting the results of follow-up activity from the fiscal year. As a result of the new reporting structure, at the beginning of FY24, IA introduced matters that dated back to 2013 and predated current administration in some regards, specifically 80 observations with 160 recommendations. With some aged matters being assessed by new leadership, updated strategies may be warranted which could result in additional time needed to resolve.

OBJECTIVE:

The objective of the follow-up review was to determine the status of the recommended actions to ensure management has implemented corrective measures, and sufficiently addressed the observations.

To conduct the review, IA performed the following procedures:

- Interviewed university employees; and
- Examined relevant documents and records where possible.

SCOPE:

The scope of the review was July 1, 2024 through June 30, 2025.

RESULTS:

At the beginning of FY25, there were a total of 27 observations and 56 recommendations that were carried forward from FY24 as outstanding items. Of those outstanding items, 20 (74%) of the 27 observations and 42 (75%) of the 56 recommendations were closed. As a result, seven observations and 14 recommendations remain outstanding from that group.

Resolved

There are 20 observations considered resolved based upon information provided by management and have been removed from IA's outstanding observations list.

Partially Resolved

There are seven observations considered partially resolved, meaning management has implemented some corrective measures but require more time to resolve the matter. IA will continue monitoring the partially resolved observations.

FY25 Audit Activity

From FY25 new audit activity, there were a total of two observations. At the close of FY25, in total, there are nine observations and 19 recommendations outstanding, that will be monitored as part of FY26 follow-up activity.

IA commends management for the efforts displayed and encourages management to continue implementing corrective measures to mitigate risks to assist with strategic success.

Engagements completed by IA are conducted in conformance with the *Global Internal Audit Standards*, published by the Institute of Internal Auditors.

cc: Tiffany S. Turner Lynch, Chief Compliance and Risk Officer
Audit and Grievance Committee, WSSU Board of Trustees



Board Action Item Cover Sheet

Board Meeting Date:

September 15, 2025

Committee Name and Committee Meeting Date:

Audit & Grievance Committee | September 15

Background:

The North Carolina Internal Auditing Act (NC GS 143-746) requires state agencies to establish an internal auditing program that complies with current Standards (Global Internal Audit Standards) for the Professional Practice of Internal Auditing issued by the Institute for Internal Auditors. Each agency head shall annually certify to the Council that the audit plan was developed in accordance with required standards. Standard 9.4 Internal Audit Plan states that the chief audit executive (CAE) must create a plan (at least annually) that supports the achievement of the organization's objectives. The CAE must base the plan on a documented assessment of the organization's strategies, objectives, and risks. The assessment must be informed by input from the board and senior management as well as the CAE's understanding of the organization's governance, risk management, and control processes.

As noted in our June 19, 2025 materials for the Executive Committee of the Board, Standard 9.4 further states that the CAE must review and revise the plan as necessary and communicate timely to the board and senior management. The CAE must discuss the plan, including significant interim changes with the board and senior management. The plan and significant changes must be approved by the board. As such, IA's plan has been updated for the upcoming fiscal year to reflect the current risk landscape. As a reminder, the plan for the new fiscal year is due to the state by September 30.

Situation:

In accordance with Standard 9.4, the Audit Plan has been updated with two new projects and will be submitted to the state by September 30. Those two new projects are:

- OSA Higher Education Institutional Aid (Title III)
- QAR Peer Review

Impact/Benefit:

Without the presentation and approval of the updated audit plan, the Internal Audit function would be noncompliance with state laws and the university may struggle to reach its optimal performance levels.

Requested Action:

It is requested that the Audit and Grievance Committee review and endorse the proposed recommendation for updating the FY26 Audit Plan and forward it to the full board for approval at its September 15 board meeting.

Attachments:

FY26 WSSU INTERNAL AUDIT RISK ASSESSMENT TOP RISK (1 page)

WSSU FY26 Audit Plan – Final (1 page)

FY26 WSSU INTERNAL AUDIT RISK ASSESSMENT TOP RISK

	Risk	Theme	Unit	Risk Description	Internal Audit Activity
1	Financial Stability	Fiscal Management	Enrollment Management/Advancement/ Finance & Administration	The university's ability to diversify its revenue stream and adhere to the system's office funding model may not be sufficient to sustain operations.	~ Enrollment Management (FY26) ~ Fundraising (FY26)
2	Talent Management (Recruitment, Retention and Succession)	Talent & Personnel	University Wide/Human Resources/ Budget	The university may not have an effective talent management strategy (inclusive of succession planning) in place to recruit and retain highly qualified personnel in order to sustain operations and meet university strategic goals. Insufficient resources could result in capacity overload for employees and contribute to health & wellness concerns (burnout).	~ Talent Management (FY26)
3	Enrollment Management Operations	Enrollment & Student Success	Enrollment Management	Infrastructure and processes may not be adequate to achieve desired enrollment, retention, and completion goals.	~ Enrollment Management (FY26)
4	Cybersecurity	Technology	Information Technology	The university's security infrastructure and strategic approach to cybersecurity may not be sufficient to minimize the impact from a cyber attack or recover effectively.	~ User Access (FY26) ~ IT Department Overview (FY26)
5	Heightened Regulatory Change	Regulatory	Chancellor's Office/ External Affairs	Heightened regulatory changes and scrutiny due to external factors and the level of uncertainty may create challenges for the university operations and services which could impact strategic success.	NOT COVERED IN FY26
6	Campus Safety	Health & Safety	Campus Police/Student Affairs/Emergency Management/IT	The university's campus safety strategy may not be effectively designed to ensure safety matters are effectively coordinated and communicated to mitigate harm and disruption to the campus.	~ Crisis Management & Emergency Preparedness (FY26) ~ Campus Safety Critical ARC Follow-up (FY26)
7	University Culture	Strategy, Governance, & Culture	University Wide	There may be misalignment between the university's values and leadership actions, employee behaviors, or organizational systems which impacts strategic success and limits the university progression.	NOT COVERED IN FY26
8	Supervisor & Employee Training	Talent & Personnel	Human Resources/ Campus Wide	The onboarding and continuous development training strategy for supervisors and employees may not be effective to ensure skills are adequate to meet department goals and achieve university strategic success.	~ Human Resources Department Overview (FY26) ~ Other Department Overviews (FY26)
9	Associated Entities	Associated Entities	Chancellor's Office	The control structure of the Associated Entities may not be designed appropriately to ensure operations adhere to mutual agreements, adequately support the university, and mitigate reputational risk.	NOT COVERED IN FY26
10	Change Management	Strategy, Governance, & Culture	University wide	The university strategy to adjust to significant changes may not be effectively designed to ensure continuity of operations and strategic success.	NOT COVERED IN FY26
11	Human Resources Operations	University Operations	Human Resources	HR may not have the appropriate structure to ensure operations are effective and efficient to support the campus community.	~ Human Resources Department Overview (FY26)
12	Scholarship Strategy	Fiscal Management	Financial Aid/Advancement	The university's scholarship strategy may not be effectively designed to ensure sufficient aid is available and accessible to achieve enrollment goals.	~ Enrollment Management (FY26) ~ Fundraising (FY26)
13	Student Mental Health	Health & Safety	Student Counseling	Resources and infrastructure may not be sufficient to support students with increase mental health needs which could impact student success and enrollment outcomes.	~ Student Mental Health Services (FY26)
14	Fundraising Strategy	Fiscal Management	Advancement	The university fund raising strategy may not be appropriately designed, given the resources available, to ensure funds are raised to support strategic operations and scholarship needs.	~ Fundraising (FY26)
15	Contracts & Grants Management	Fiscal Management	Contracts & Grants/Office of Sponsored Programs	The control structure of contracts and grants may not be appropriately designed to ensure adequate fiscal responsibility and compliance with grant guidelines.	~ HERD Reporting (FY26) ~ OSA Higher Education Institutional Aid (FY26)
16	Business Continuity	University Operations	Emergency Management	Business continuity plans may not be up-to-date or sufficient to ensure operations are sustainable and able to recover timely from a disaster, catastrophe, or pandemic.	NOT COVERED IN FY26
17	Emergency Management Preparedness	Health & Safety	Emergency Management/ Campus Police	The university emergency operation plan may not be effectively designed and understood to address a significant emergency or crisis on campus.	~ Crisis Management & Emergency Preparedness (FY26)
18	Information Technology Operations	Technology	Information Technology	The information technology departments infrastructure may not be appropriately designed to support campus operations effectively and efficiently.	~ User Access (FY26) ~ IT Department Overview (FY26)
19	Student Collections	Fiscal Management	Student Accounts	The student account collection framework may not be adequately designed to ensure outstanding balances are effectively and efficiently resolved and accurately maintained.	NOT COVERED IN FY26
20	Third Party Risk Management	Technology	Information Technology/ University Wide	The university's third party risk management plan may not be appropriately designed to ensure university data is protected and outsourced responsibilities are executed and monitored as designed.	~ IT Department Overview (FY26)
21	User Access	Technology	Information Technology/ University Wide	Employee's user access may not be effectively controlled to mitigate inappropriate use or access to university data.	~ User Access (FY26)
22	Strategic Monitoring	Strategy, Governance, & Culture	Chancellor's Office	The university's framework for strategic monitoring may not be effectively designed and implemented to ensure goals are assessed and successful outcomes are achieved.	NOT COVERED IN FY26
23	Communication Crisis Plan	Health & Safety	Strategic Communications	The university's crisis communication plan may not be sufficient and up to date to respond to a crisis effectively and efficiently.	~ Crisis Management & Emergency Preparedness (FY26)

The audit plan is based upon Internal Audit's (IA) unit risk assessment process and outlines the IA unit plans for the year based upon available resources and the impact of risks identified. The audit plan is a fluid document and is subject to change based upon current events that may pose a risk to the university, continuous risk monitoring efforts, and available resources. This document is for informational purposes only.

WSSU FY26 Audit Plan - Final

HRS

Summary of Hours Available for Plan	
Hours per FT Auditor:	2,080
Total Hours Available:	8,320
UNCSA Contract Hours:	1,800
Hours Available for WSSU:	6,520

* 4 FT Auditors

NEW PROJECTS ADDED

A	Continuation from Previous Year: <i>Projects carried over from the previous plan year.</i>	
	Planned Audit: Talent Management - Succession Planning	300
	Planned Audit: User Access	
	Investigation: HERD Reporting	

B	Planned Reviews: <i>Projects added to the plan as a result of the annual risk assessment process. Plan reviews are subject to change based upon risks.</i>	
	Human Resources Department Overview	2,170
	Crisis Management & Emergency Preparedness (Include System Office Emergency Communication Regulation)	
	Student Mental Health Services	
	Fundraising	
	Enrollment Management - Retention	
	Athletics Department Overview	
	IT Department Overview	

C	Continuous Monitoring & Requests: <i>Projects added to assist with continuous monitoring efforts of notable risks or projects requested by management.</i>	
	System Office Pcard/Tcard Regulation	200
	OSA Higher Education Institutional Aid (Title III)	

D	Follow-ups: <i>Previous reviews performed that identified findings. IA is required to follow-up to ensure management has taken corrective actions to resolve issue.</i>	
	Follow-up Project - Historical Observations	260
	Campus Safety Critical ARC Follow-up (External)	

E	Complaints & Hot Line Calls: <i>New complaints received this fiscal year that will result in a review.</i>	
	Contingency	100

F	Special Assignments: <i>Advisory engagements conducted on behalf of management & significant audit projects</i>	
	Self-Assessment Maturity Model	400
	Annual Risk Assessment	
	QAR - Peer Review	

ITEMS BELOW ARE ROUTINE MATTERS THAT MAY TAKE PLACE DURING THE AUDIT YEAR

G	Advisory & Special Assignments: <i>Special activities and assignments that are assigned to internal audit to assist and advise management. These activities below does not generally result in a audit report.</i>	
	Audit Committee	510
	University-wide Meetings/Consults	
	Assisting External Auditors & Oversight Agencies	
	Search Committees	
	University's Strategic Plan	
	Executive Staff	
	Compliance	
	UNCAA Committees	
	Enterprise Risk Management	
	Annual Risk Monitoring Memos	
	Technical Assistance	

H	Other: <i>Activities that assist the audit unit with planning, assessments, and continuous improvement efforts. The activities below does not generally result in a audit report.</i>	
	Audit Planning & Assessment	500
	IA Strategy, outreach, on-the-job training, assessment	
	Quality Assurance and Improvement - assessment, activities	
	University Administrative Assessment	
	Internal Policies and Procedures, CAATs, Best Practices, Website, Sharepoint	
	Staff Meetings	

I	Administration/Leave/Professional Development: <i>Administrative relative matters, time off, and professional development.</i>	
	Office Administration	2,080
	Time Off	
	Training & Webinars	

J	Potential Reviews not Planned: <i>Potential reviews identified from the annual risk assessment that are unable to be performed due to lack of resources at this time, but could be added during the year based upon assessment of risk and additional resources.</i>	
	Data Governance	
	Third Party Risk Management	
	Contract Routing Process	
	Associated Entities MOU	

OTHER ACTIVITIES & MATTERS

QAIP Efforts:

As part of our Quality Assurance Improvement Program (QAIP) and continuous improvement efforts, we will be focusing on the following actions to assist with improving effectiveness, efficiency, and overall audit quality:

- Data analytics and technology (audit software use and AI opportunities);
- Project execution and completion (improve audit software use); and
- Time reporting efforts.

Our efforts in addressing these matters should create more opportunities for us to add value and remain a trusted advisor. These efforts will not only ensure we are complying with standards and/or policies, but that we are addressing risk priorities and assisting the university in achieving their strategic goals.

OTHER ACTIVITIES & MATTERS

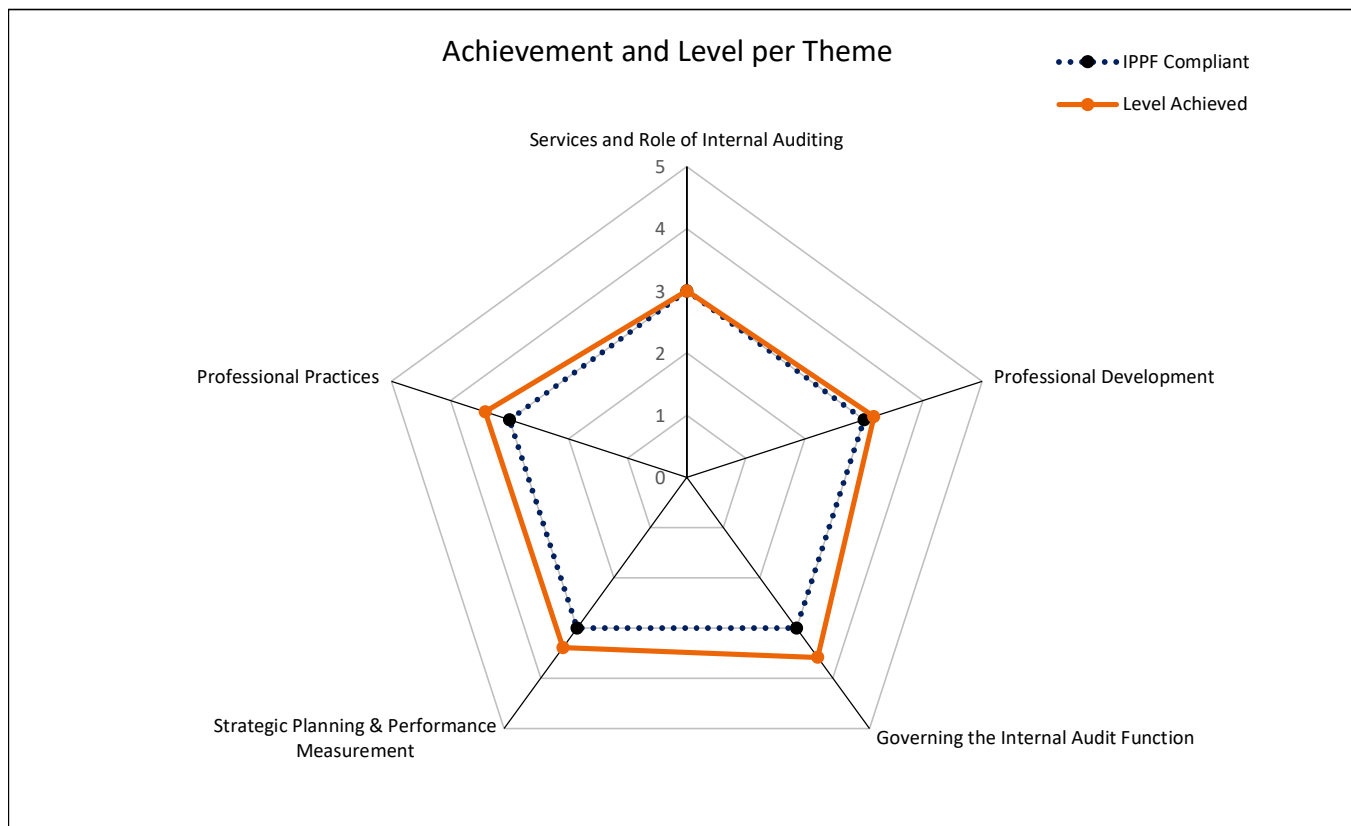
QAIP - Self-Assessment Maturity Model (SAMM):

SAMM, a self-assessment framework tool implemented by the NC Council of Internal Auditing, allows IA to **assess the function** against professional internal audit standards and good practices, assist with **communicating audit's value**, and **identify gaps for improvement** to aide in the audit function's maturity. The assessment must be completed annually.

On a scale of 1-5, an audit function must score at least a 3 for compliance, which indicates conformance with the Global Internal Audit Standards (*Standards*). The SAMM tool has categorized the *Standards* and audit practices into five theme categories (Services & Role of Internal Auditing, Professional Development, Governing the Internal Audit Function, Strategic Planning and Performance Measurement, and Professional Practices).

WSSU's IA SAMM score for FY25 is **3.3** (*see attached SAMM Dashboard*).

Theme	IPPF Compliant	Level Achieved
Services and Role of Internal Auditing	3	3.0
Professional Development	3	3.2
Governing the Internal Audit Function	3	3.6
Strategic Planning and Performance Measurement	3	3.4
Professional Practices	3	3.4



DASHBOARD PER TOPIC

Theme	Subtheme	Level achieved
Services and Role of Internal Auditing	Emerging Topics	3.0
	Advisory services	3.0
Professional Development	Manage Resources	3.0
	HR Planning	3.3
Governing the Internal Audit Function	Role and authority of internal audit	3.0
	Management and Oversight of IAF	3.8
	Access and Awareness	4.0
Strategic Planning and Performance Measurement	Plans Strategically	3.5
	Performance Measurement	3.3
	Communicates Effectively	3.3
Professional Practices	QAIP	3.5
	Planning Internal Audit	3.3
	Performing internal audit services	3.4

Theme	Subtheme	Topic	Level achieved	Target Date for Correction	Action Plan
Services and Role of Internal Auditing	Emerging Topics	Artificial Intelligence	N/A		
		Cybersecurity	3.00		
		Sustainability	N/A		
		Strategy	3.00		
		Soft Controls	3.00		
	Advisory services	Scope	3.00		
		Perform Advisory Services	3.00		
Professional Development	Manage Resources	Staff development (target-budget)	3.00		
		Team Development	3.00		
		Professional Associations	3.00		
		Performance cycle and remuneration policy	3.00		
		Technological resources	3.00		
	HR Planning	Resource allocation (including co-sourcing or outsourcing)	3.00		
		Resource planning	3.00		
		Recruitment	4.00		
Governing the Internal Audit Function	Role and authority of internal audit	Authorized by the Board (audit charter)	3.00		
	Management and Oversight of IAF	Reporting Line	4.00		
		Funding of the audit department	3.00		
		Oversight of the IAF	5.00		
		Governance and Risk Management	3.00		
	Access and Awareness	Access to information, assets and people	4.00		
		Awareness of the IAF Function	4.00		
Strategic Planning and Performance Measurement	Plans Strategically	Objectives	4.00		
		Budget	3.00		
	Performance Measurement	Measures	4.00		
		Audience	3.00		
		Process	3.00		
	Communicates Effectively	Communication on IAF's activities	4.00		
		IAF's collaborations	3.00		
		IAF's collaborations: external auditor	3.00		
Professional Practices	QAIP	Compliance with IPPF and other (professional) standards	4.00		
		Quality management reviews	3.00		
	Planning Internal Audit	Audit universe and scope	3.00		
		Periodicity of evaluating the plan	3.00		
		Prioritization and approval of the plan	4.00		
	Performing internal audit services	Methodologies	3.00		
		Performing the audit - Planning	4.00		
		Performing the audit - Fieldwork	4.00		
		Communicating audit results	3.00		
		Follow up monitoring	3.00		