

University of North Carolina School of the Arts  
SAAB 306

**COMMITTEE MEMBERS:**

Peter Juran, Chair  
Greer Cawood  
Anna Folwell  
Ches McDowell  
Graydon Pleasants  
Mark Land, ex officio

**COMMITTEE STAFF:**

Rod Isom, Chief Audit, Risk, and Compliance Officer  
David Harrison, Vice Chancellor for Institutional Integrity and General Counsel  
Jim DeCristo, Vice Chancellor for Economic Development and Chief of Staff  
Wendy Emerson, Interim Vice Chancellor for Finance and Administration  
Amanda Balwah, Associate Vice Chancellor for Institutional Integrity and Secretary of the University  
Jarrett Bailey, Staff Council Representative  
Jeff George, Faculty Council Representative

**AGENDA**

**OPEN SESSION**

1. Call to Order and Confirm Quorum.....Chairman Juran
2. Approval of Minutes from the September Meeting..... Chairman Juran
3. Matters of Governance, Risk and Compliance .....Rod Isom & UNCSA Management
  - a) Enterprise Risk Management.....Jim DeCristo and Laurel Donley
  - b) Information Governance & Security.....Terry Harmon, Chief Information Officer
  - c) Clery Compliance/Title IX.....Chief Frank Brinkley, Jayne Grandes, and David Harrison
4. Discussion of External Audits and Reviews (if any).....Rod Isom & UNCSA Management
  - a) Financial Statement Audits.....Wendy Emerson
5. Discussion of Internal Audit's Activity.....Rod Isom & Internal Audit Staff
  - a) IA Operations Update

- b) Recent Reports and Other Communications
- c) Audit Plan Project Status and Updates
- d) Other Activities and Matters

❖ *Note: Information related to any internal audits or reviews released prior to the meeting will be provided at the meeting.*

**\*\* Action Item**

**CLOSED SESSION**

- 6. Approval of Minutes from the September Meeting, (if any).....Chairman Juran
- 7. Discussion of Special Items, Reviews and Investigations (if any).....David Harrison
  - a) Lawsuit Updates

**OPEN SESSION**

- 8. Other Business.....Committee Members & Staff
- 9. Adjourn.....Chairman Juran

## **OPEN SESSION MINUTES**

September 29, 2022

University of North Carolina School of the Arts  
SAAB 306

### **TRUSTEES PRESENT**

**\*Denotes voting committee members**

Peter Juran (Chair)\*, Mark Land\*, Anna Folwell\*, and Ralph Womble

### **TRUSTEES ABSENT**

Greer Cawood\*

Graydon Pleasants\*

Ches McDowell\*

### **ADMINISTRATION & STAFF PRESENT**

Rod Isom (Chief Audit Officer); David Harrison (Vice Chancellor for Institutional Integrity and General Counsel); Cory Billings (Internal Auditor); Jim DeCristo (Vice Chancellor for Economic Development and Chief of Staff); Amanda Balwah (AVC for Institutional Integrity and Secretary of the University), Terry Harmon (Chief Information Officer), Wendy Emerson (Interim Vice Chancellor for Finance and Administration); Travis Andrews (IT Support)

### **ADMINISTRATION & STAFF PRESENT VIA ZOOM**

Jayne Grandes (Interim Director of Title IX)

---

### **CONVENE OPEN SESSION AND CONFIRM QUORUM**

Committee Chair Peter Juran convened the September 29, 2022 meeting of the University of North Carolina School of the Arts Audit, Risk, and Compliance Committee at 4:05 p.m. A quorum was not present.

### **ENTERPRISE RISK MANAGEMENT (ERM)**

Jim DeCristo, Chief of Staff, reported UNCOSA's ERM Risk Priorities for 2021-2023. The top five risks are scholarships and salaries, equity, diversity, inclusion and belonging (EDIB), health and wellness, Title IX, and cyber security. The System Office created a risk register overview, illustrating eight risk themes that represent the top risks submitted by each university. Reoccurring risks across the System include cyber security, talent management, and student retention.

## **INFORMATION GOVERNANCE & SECURITY**

Terry Harmon, Chief Information Officer, acknowledged the unexpected passing of Greg Gleghorn over the summer. Mr. Gleghorn served as UNCOSA's Chief Information Security Officer and will be missed by the UNCOSA community.

UNCOSA's Information Technology division has conducted two baseline simulated phishing campaigns as part of their updated security awareness training program. The click rate for these campaigns was quite high. Mr. Harmon emphasized the importance of educating the UNCOSA community to recognize potential IT threats as the phishing scams look more and more credible.

The search for the next Chief Information Security Officer is underway.

The first IT Governance Steering Committee meeting was held on September 23<sup>rd</sup> and will be held monthly.

## **DISCUSSION OF EXTERNAL AUDITS AND REVIEWS**

Rod Isom, Chief Audit, Risk, and Compliance Officer, reported that UNCOSA's Financial Statement Audit for fiscal year 2022 is being conducted by the NC Office of the State Audit. The office got a late start and the anticipated completion date is before the end of December.

The UNCOSA Foundation Financial Statement Audit for 2022 was completed by Smith Leonard PLLC at the end of August. This was a clean audit with no findings or issues to report.

The UNCOSA Housing Corporation, UNCOSA Program Support Corporation, and the Kenan Institute for the Arts audits are being conducted by Bernard Robinson & Company, LLP. All three audits were completed in September and the results are expected within the next few weeks and will be reported at the next committee meeting.

## **DISCUSSION OF INTERNAL AUDIT ACTIVITY**

Rod Isom, Chief Audit, Risk, and Compliance Officer and Cory Billings provided an update on internal audit activity. The Audit Manager role has been filled by Corey Billings, and the division is actively recruiting for two other positions.

Two internal audit projects have been completed during the quarter, and three projects are in progress. Three additional projects were added to the audit plan based on risk assessment and special assignments. This modification to the audit plan will be taken to the full board for approval due to the committee not having a quorum (*full board approved during their meeting*).

The Self-Assessment Maturity Model (SAMM) is a framework that allows Internal Audit to assess the function against professional internal audit standards and is required to be completed annually by September 30<sup>th</sup>. Internal Audit's SAAM score for FY22 is 3.3. Three (3) is considered in compliance with standards.

The charters for both the Office of Audit, Risk, and Compliance and the Audit, Risk, and Compliance Committee were reviewed, as they are each year. No revisions or amendments were made.

### **CLOSED SESSION**

Without a quorum present, the committee did not go into closed session.

### **ADJOURNMENT**

With no further business to discuss, Chairman Juran adjourned the meeting at 4:40 p.m.

Respectfully submitted by:  
Amanda Balwah, University Secretary

## **AGENDA ITEM**

ERM Health and Wellness Risk Priority Update .....presented by Laurel Donley, Assistant Dean

**Summary:** The rigorous workload, external cultural upheaval, mental health trends, and economic uncertainty experienced by students, faculty, and staff at UNCSCA may have a significant negative effect on their overall health and wellbeing. UNCSCA may have difficulty achieving the right balance of rigor, transparency, and diversity necessary to maintain a balanced campus culture that promotes excellence, open-mindedness, and well-being alike. The recent shooting of a student has increased the anxiety and concerns for health and safety.

Prior to the shooting, and reports of multiple suicides at system campuses, UNCSCA instituted a wellness day to address the increased numbers of students experiencing stress and mental health episodes. The wellness day was an overwhelming success as noted by students, faculty and staff.

We have already increased the number of staff trained to serve as mental health first aid instructors. Campus Police and Student Affairs added additional staff, this will provide more training opportunities for UNCSCA administrators, faculty and staff. Goal is to have all of Student Affairs and others trained by February 1<sup>st</sup>. Classes will be offered in December and January to accommodate those needing to take the training.

Additional opportunities for the Spring 2023:

- Spring 2023 there will be two additional wellness days embedded in the semester and moving forward it has been recommended to include wellness days in each future semester.
- Proposing Pilot project to embed wellness initiatives throughout campus i.e. residence halls, classes, fitness center.
- Due to increased number of withdrawals from UNCSCA for health issues, a campus team is working to improve the exit interview process to gain information on ways we can decrease the number of students leaving UNCSCA.
- Ginger app is a new resource for employees and adult dependents to utilize when experience life challenges including work stress, personal concerns, mental health, etc. The Employee Assistance Program (EAP) continues to be available to employees as well.
- The Department of Student Development has increased the number of activities for students designed to destress and increase belonging.
- We will be hiring two new positions in Student Affairs, a Wellness Counselor and Case Manager, these will be funded through the high school funding.

**Action:** This item is for informational purposes only.

## **AGENDA ITEM**

Information Technology Update.....presented by Terry Harmon

### **Summary:**

1. Mark Noto introduction - UNCSCA Chief Information Security Officer

2. **IT Governance**

In March of 2022, it was announced that a new IT Governance structure was being implemented. The purpose of IT governance at UNCSCA is to provide a forum where enterprise projects and other high-level IT activities can be discussed, prioritized, and aligned with the mission of the university. This governance provides a level of transparency and communication that did not exist before as it relates to technology matters. The goal of the program is to have a well-informed campus community, improved stewardship of technology resources, and a forum to discuss strategic and tactical direction for the IT function.

IT governance consists of the IT Steering Committee and two sub-committees, the Arts and Academic Technology Committee which considers faculty and student technology priorities, and the Administrative Technology Committee which considers administrative technology priorities.

As an update, these committees are now functioning according to the program charter and have a monthly meeting cadence. The committees are composed of both executive-level and departmental employees with the authority to make decisions that best serve their area and the university. All enterprise projects are expected to be vetted through the governance process, prioritized, and recommended to the Executive Leadership team.

In addition, a Data Governance Committee is in the process of being established for identification and management of our valuable data assets. This committee will be co-chaired by the Director of Institutional Research and the Chief Information Security Officer. Program and committee charters are complete, with the next step underway of recruiting membership and beginning committee work.

### 3. Admin By Request

UNCSA IT has taken another step forward in endpoint security by deploying a system called Admin by Request. This system allows campus computer users the ability to easily request administrative access to their university-owned computer for the purpose of installing software or other tasks requiring that access.

When IT receives a request for admin access through the Admin By Request software, a software security audit is performed to ensure the software is not malware, has a poor reputation for vulnerabilities, etc. If it passes these checks, then the request is approved and the application is whitelisted so that others may install the software without having to request access.

Controlling the granting of admin rights is a significant step forward in preventing malware on our endpoints. This is a requirement from some cyber insurance companies before issuing a policy, with more expected to adopt this position as the threat landscape continues to evolve. This has the added benefit of controlling the usage of unlicensed software.

**Action:** This item is for informational purposes only



## **AGENDA ITEM**

2021 Clery Crime Statistics Review.....presented by Frank Brinkley, Chief of Police

### **Summary:**

*Valerie Thelen is the Title IX Compliance Officer and Clery Coordinator of record, but unable to attend. Chief Brinkley will provide context for the crime incidents of note as reported to the UNCSA Police and Public Safety Department.*

Clery Crime Statistics will be reviewed for UNCSA Campus, for the year 2021, in comparison with previous years. Per Federal Regulations, the 2022 Annual Fire and Security Report (Clery Report) must include Crime Statistics based off Federal definitions, including the previous 3 calendar years. The Clery Act requires all colleges and universities that participate in federal financial aid programs to keep and disclose information about crime on and near their respective campuses. For the year 2021, there are no concerning spikes. UNCSA's Clery Report is linked below.

[Clery Report](#)

**Action:** This item is for informational purposes only.

Clery Crime	Year	On Campus	Residence Halls*	Non-Campus**	Public Property	Total	Unfounded Crimes***
Murder / Non-Negligent Manslaughter	2021	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Manslaughter by Negligence	2021	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Rape	2021	1	1	0	0	1	0
	2020	1	0	0	0	1	0
	2019	2	1	0	0	2	0
Fondling	2021	3	2	0	0	3	0
	2020	3	1	0	0	3	0
	2019	5	4	0	0	5	0
Incest	2021	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Statutory Rape	2021	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Robbery	2021	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Aggravated Assault	2021	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Burglary	2021	0	0	0	0	0	0
	2020	1	1	0	0	1	0
	2019	4	3	0	0	4	0
Motor Vehicle Theft	2021	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2019	0	0	0	1	1	0
Arson	2021	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Domestic Violence	2021	0	0	0	1	1	0
	2020	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Dating Violence	2021	0	0	0	0	0	0
	2020	1	0	0	0	1	0
	2019	3	2	0	0	3	0
Stalking	2021	0	0	0	0	0	0
	2020	2	2	0	0	2	0
	2019	2	0	0	0	2	0
Liquor Law Arrests	2021	0	0	0	1	1	0
	2020	0	0	0	0	0	0
	2019	1	1	0	0	1	0
Drug Related Arrests	2021	1	0	0	7	8	0
	2020	3	2	0	2	5	0
	2019	10	6	0	2	12	0
Weapons Arrests	2021	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2019	1	0	0	0	1	0
Liquor Law Disciplinary	2021	9	6	0	2	11	0
	2020	12	6	0	7	19	0
	2019	36	27	0	0	36	0
Drug Related Disciplinary	2021	12	12	0	4	16	0
	2020	4	3	0	0	4	0
	2019	14	11	0	1	15	0
Weapons Disciplinary	2021	2	1	0	0	2	0
	2020	0	0	0	0	0	0
	2019	1	0	0	0	1	0

\*Residence Hall Crime Statistics are a subset of the On-Campus Category

\*\*Non-Campus Category includes locations owned or controlled by the institution away from campus for institutionally-sponsored trips for a duration of longer than one nights' stay.

\*\*\*This number represents crimes investigated by Sworn Law Enforcement and determined to be 'Unfounded'; meaning there was evidence the reported crime did not occur.

**AGENDA ITEM**

Financial Statement Audit Updates.....Wendy Emerson

**Summary:** The NC Office of the State Auditor is conducting the University’s financial statement audit for FY 2022. Bernard Robinson & Company, LLP conducted the FY 2022 audits for the UNCOSA Housing Corporation, UNCOSA Program Support Corporation, and the Kenan Institute for the Arts.

- The UNCOSA Financial Statement Audit for Fiscal Year 2022 is being finalized. The results of the audit are expected within the next few weeks.
- The UNCOSA Housing Corporation Financial Statement Audit for 2022 was completed in September. The results of the audit were an unqualified opinion (clean audit), with no findings or issues to report.
- The UNCOSA Program Support Corporation Financial Statement Audit for 2022 was completed in September. The results of the audit were an unqualified opinion (clean audit), with no findings or issues to report.
- The Kenan Institute for the Arts Financial Statement Audit for 2022 was completed in September. The results of the audit were an unqualified opinion (clean audit), with no findings or issues to report.

**Action:** This item is for informational purposes only.



Bernard Robinson & Company, L.L.P.

September 21, 2022

To the Board of Directors  
University of North Carolina School of the Arts Housing Corporation  
Winston Salem, NC 27127

We have audited the financial statements of the University of North Carolina School of the Arts Housing Corporation (the “Corporation”) for the year ended June 30, 2022, and we will issue our report thereon dated September 21, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 6, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s 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 significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management’s estimate for depreciation of capital assets.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted during the audit.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 21, 2022.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

*Bernard Robinson & Company, L.L.P.*

BERNARD ROBINSON & COMPANY, L.L.P.

UNIVERSITY OF NORTH CAROLINA SCHOOL  
OF THE ARTS HOUSING CORPORATION  
(A Component Unit of the University of North Carolina School of the Arts)

FINANCIAL REPORT

JUNE 30, 2022



**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**

**Table of Contents**

---

	<u>Page No.</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<i>Financial Statements</i>	
Statement of Net Position .....	8
Statement of Revenues, Expenses, and Changes in Net Position .....	9
Statement of Cash Flows .....	10
Notes to Financial Statements .....	11



## **Independent Auditor's Report**

To the Board of Directors  
University of North Carolina School of the Arts Housing Corporation  
Winston-Salem, North Carolina

### ***Opinion***

We have audited the accompanying financial statements of University of North Carolina School of the Arts Housing Corporation (a nonprofit corporation) (the "Corporation"), which comprise the balance sheet as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year 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 assets and net assets of University of North Carolina School of the Arts Housing Corporation as of June 30, 2022, and its results of operations 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 Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of University of North Carolina School of the Arts Housing Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 University of North Carolina School of the Arts Housing Corporation'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 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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists.



### ***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

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, including omissions, 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 auditing standards generally accepted in the United States of America, 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 University of North Carolina School of the Arts Housing Corporation'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 University of North Carolina School of the Arts Housing Corporation'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 on pages 3 through 7 be presented to supplement the basic financial statements. Such information, 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.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
September 21, 2022

# UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION

## Management's Discussion and Analysis

---

### Introduction

This section of the University of North Carolina School of the Arts Housing Corporation (Corporation) financial report provides an overview of the financial position and activities for the year ended June 30, 2022. This discussion has been prepared by management along with the financial statements and related notes to the financial statements and should be read in conjunction with the financial statements and the notes thereto, which follow this section. This discussion and analysis are designed to focus on current activities, resulting change, and current known facts.

### Using the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). These financial statements focus on the financial condition of the Corporation, the results of operations, and cash flows of the Corporation as a whole. The three financial statements presented include: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Cash Flows provides information relative to the Corporation'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 to ending 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. For the purpose of this discussion, we will address the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

The Notes to the Financial Statements provide information regarding the significant accounting principles applied in the financial statements, authority for and associated risk of deposits, detailed information on deposits, long-term liabilities, insurance against losses, and if necessary, a discussion of accounting changes, adjustments to prior periods, and events subsequent to the Corporation's financial statement period. Overall, these disclosures provide information to better understand details, risk, and uncertainty associated with amounts reported in the financial statements.

### Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Corporation as of the end of the fiscal year. The purpose of the Statement of Net Position is to present the readers of the financial statements a fiscal snapshot of the University of North Carolina School of the Arts Housing Corporation. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets plus deferred outflows minus liabilities plus deferred inflows).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Corporation. They are also able to determine how much the Corporation owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the Corporation.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**  
**Management's Discussion and Analysis**

---

Net position is divided into three major categories. The first category, net investment in capital assets provides the Corporation's total investment in property, plant, and equipment owned by the Corporation, net of outstanding liabilities related to those capital assets. The next net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position relates to amounts to be retained in perpetuity. Expendable restricted net position is available for expenditure by the Corporation but must be spent for purposes as determined by donors and/or external entities that have placed certain restrictions on the use of the assets. The final category is unrestricted net position, which is available to the Corporation for any lawful purpose of the Corporation. Please refer to the financial statements and notes to the financial statements for more detail.

**Condensed Statement of Net Position**

	<b>Year Ended June 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Assets</b>			
Current Assets	\$ 1,694,538	\$ 1,775,074	\$ (80,536)
Capital Assets, Net	3,817,676	3,920,760	(103,084)
Total Assets	<u>5,512,214</u>	<u>5,695,834</u>	<u>(183,620)</u>
<b>Liabilities</b>			
Current Liabilities	371,141	370,125	1,016
Noncurrent Liabilities	2,818,926	3,172,000	(353,074)
Total Liabilities	<u>3,190,067</u>	<u>3,542,125</u>	<u>(352,058)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	645,678	402,761	242,917
Unrestricted	1,676,469	1,750,948	(74,479)
Total Net Position	<u>\$ 2,322,147</u>	<u>\$ 2,153,709</u>	<u>\$ 168,438</u>

The total assets of the Corporation decreased by \$183,620 for the year, with a decrease in capital assets of \$103,084 and decrease in current assets of \$80,536. The decrease in capital assets is due to annual depreciation expense. The decrease in current assets is primarily due to a decrease in cash of \$81,987 that was mainly a result of increased spending to update the furniture in the apartments.

The total liabilities of the Corporation decreased by \$352,058 for the year, with a decrease in long-term liabilities of \$353,074. The decrease in long-term liabilities is primarily due to the Corporation continuing to pay down its capital debt for the Series 2021 Certificates of Participation. The decrease in current liabilities is primarily due to a decrease in accounts payable for repairs and maintenance as well as the increase in the current portion of the Series 2021 Certificates of Participation. The current portion of the Series 2021 Certificates of Participation will increase over the life of the debt.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**  
**Management’s Discussion and Analysis**

---

The Corporation’s net position was \$2,322,147 at June 30, 2022, an increase of \$168,438 from the prior year. The significant change within net position is in the category of Net Investment in Capital Assets, which increased \$242,917 due to payments made on the Series 2021 Certificates of Participation.

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

The Statement of Revenues, Expenses and Changes in Net Position reports the Corporation’s results of operation for the fiscal year. Changes in total net position presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues received by the Corporation and expenses paid by the Corporation, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the Corporation.

Generally speaking, operating revenues are received for providing goods and services to the students of the University of North Carolina School of the Arts. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Corporation. Nonoperating revenues are revenues received for which goods and services are not provided.

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

	Year Ended June 30,		
	2022	2021	Change
<b>Operating Revenues</b>	\$ 1,268,637	\$ 1,088,004	\$ 180,633
<b>Operating Expenses</b>			
Salaries and Benefits	162,760	95,568	67,192
Supplies and Services	592,642	229,494	363,148
Utilities	89,684	90,321	(637)
Depreciation Expense	110,634	110,591	43
Total Operating Expenses	955,720	525,974	429,746
Operating Income	312,917	562,030	(249,113)
<b>Nonoperating Revenues (Expenses)</b>			
Investment Income	3,999	7,520	(3,521)
Interest and Fees on Debt	(75,313)	(109,531)	34,218
Other Nonoperating Revenues	(73,165)	94,067	(167,232)
Total Nonoperating Expenses	(144,479)	(7,944)	(136,535)
Increase in Net Position	168,438	554,086	(385,648)
Beginning Net Position	2,153,709	1,599,623	554,086
Ending Net Position	\$ 2,322,147	\$ 2,153,709	\$ 168,438

## **UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**

### **Management's Discussion and Analysis**

---

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in the net position at the end of the year. Total revenues for the fiscal year were \$1,272,636 compared to \$1,189,591 from the previous year, an increase of \$83,045. The highlight of the revenue accounts presented on the Statement of Revenues, Expenses, and Changes in Net Position is as follows:

- Operating revenues increased by \$180,633. This increase was attributable to an increase in housing rates.

Total expenses were \$1,104,198 for the fiscal year ended June 30, 2022, and \$635,505 for 2021. Operating expenses totaled \$955,720 for the year compared to \$525,974 from the previous year, an increase of \$429,746. The significant change includes:

- Supplies and Services increased \$363,148 primarily due to upgrading the furniture in the apartments in the fiscal year 2022.

### **Capital Asset and Debt Administration**

The Corporation, a blended entity of University of North Carolina School of the Arts (UNCSA), took out certificates of participation in the amount of \$7,200,000 to provide funds to discharge certain indebtedness used for the acquisition, construction, equipping and subsequent improvements of the Center Stage Apartment complex. The Corporation has leased the apartment complex to the School to operate and maintain. Rentals from the apartment complex are pledged for the retirement of this debt. The debt service repayment schedule extended through June 2036 with interest rates ranging from 3.625% to 4.50%. The Corporation has extinguished these long-term debt obligations by the issuance of new long-term debt instruments.

On June 12, 2016, the Corporation issued \$5,400,000 in University of North Carolina School of the Arts Student Housing Project Refunding Certificates of Participation, Series 2015, refunding certificates of participation with an average interest rate of 2.99%. The bonds were issued for a current refunding of \$5,825,000 of outstanding University of North Carolina School of the Arts Student Housing Project Certificates of Participation, Series 2005, with an average interest rate of 3.50%. The refunding was undertaken to reduce total debt service payments by \$2,270,191 over the next 15.

On May 11, 2021, the Corporation issued \$3,518,000 in University of North Carolina School of the Arts Student Housing Project Refunding Certificates of Participation, Series 2021, refunding certificates of participation with an interest rate of 2.00%. The bonds were issued for a current refunding of \$3,815,000 of outstanding University of North Carolina School of the Arts Student Housing Project Certificates of Participation, Series 2015, with an average interest rate of 2.99%. The refunding was undertaken to reduce total debt service payments by \$175,714 over the next 9 years.

As of June 30, 2022, the Corporation has outstanding balance of \$3,172,000 in University of North Carolina School of the Arts Student Housing Project Refunding Certificates of Participation, Series 2015, and continues to make all its debt payments in a timely manner. No new debt was issued during the 2021-2022 fiscal year.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**  
**Management's Discussion and Analysis**

---

**Economic Outlook**

The University of North Carolina School of the Arts Housing Corporation continued to manage and use its resources wisely in fiscal year 2022. Based on currently known facts about the Corporation's financial performance in fiscal year 2022, management is confident that its sound financial position will be maintained throughout the next operating period. University administration will continue to effectively manage the financial resources of the Corporation to serve the University of North Carolina School of the Arts and to provide the highest quality housing experience to our students.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**  
**Statement of Net Position**  
**June 30, 2022**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,669,598
Prepaid Items	24,940
	<hr/>
Total Current Assets	1,694,538
	<hr/>

Noncurrent Assets:

Capital Assets - Nondepreciable (Note 4)	451,326
Capital Assets - Depreciable, Net (Note 4)	3,366,350
	<hr/>
Total Noncurrent Assets	3,817,676
	<hr/>
Total Assets	5,512,214
	<hr/>

**DEFERRED OUTFLOWS OF RESOURCES**

-

---

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities	8,436
Interest Payable	5,287
Long-Term Liabilities - Current Portion (Note 5)	357,418
	<hr/>
Total Current Liabilities	371,141
	<hr/>

Noncurrent Liabilities:

Long-Term Liabilities, Net (Note 5)	2,818,926
	<hr/>
Total Liabilities	3,190,067
	<hr/>

**DEFERRED INFLOWS OF RESOURCES**

-

---

**NET POSITION**

Net Investment in Capital Assets	645,678
Unrestricted	1,676,469
	<hr/>
Total Net Position	\$ 2,322,147
	<hr/> <hr/>

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit A-2**

**OPERATING REVENUES**

Sales and Services	\$ 1,268,637
	<u>1,268,637</u>
Total Operating Revenues	<u>1,268,637</u>
Total Operating Revenues	<u>1,268,637</u>

**OPERATING EXPENSES**

Salaries and Benefits	162,760
Supplies and Services	592,642
Utilities	89,684
Depreciation	<u>110,634</u>
Total Operating Expenses	<u>955,720</u>
Operating Income	<u>312,917</u>

**NONOPERATING REVENUES (EXPENSES)**

Investment Income	3,999
Interest and Fees on Debt	(75,313)
Other Nonoperating Revenues (Expense)	<u>(73,165)</u>
Net Nonoperating Expenses	<u>(144,479)</u>
Increase in Net Position	168,438

**NET POSITION**

Net Position - July 1, 2021	<u>2,153,709</u>
Net Position - June 30, 2022	<u>\$ 2,322,147</u>

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



**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION****Statement of Cash Flows****For the Fiscal Year Ended June 30, 2022****Exhibit A-3****CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 1,268,637
Payments to Employees and Fringe Benefits	(163,711)
Payments to Vendors and Suppliers	(687,428)
	<hr/>
Net Cash Provided by Operating Activities	417,498

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Noncapital Contributions	(73,165)
	<hr/>
Net Cash Used by Noncapital Financing Activities	(73,165)

**CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES**

Acquisition and Construction of Capital Assets	(7,550)
Principal Paid on Capital Debt and Leases	(346,000)
Interest and Fees Paid on Capital Debt and Leases	(76,769)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(430,319)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	3,999
	<hr/>
Net Decrease in Cash and Cash Equivalents	(81,987)
Cash and Cash Equivalents - July 1, 2021	1,751,585
	<hr/>
Cash and Cash Equivalents - June 30, 2022	\$ 1,669,598

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

Operating Income	\$ 312,917
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation Expense	110,634
Changes in Assets and Liabilities:	
Prepaid Insurance	(1,451)
Accounts Payable and Accrued Liabilities	(3,651)
Compensated Absences	(951)
	<hr/>
Net Cash Provided by Operating Activities	\$ 417,498

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

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**

**Notes to Financial Statements**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity** - The University of North Carolina School of the Arts Housing Corporation (Corporation), a blended component unit of the University of North Carolina School of the Arts (University), is a North Carolina nonprofit corporation organized to benefit the University through providing privatized housing for college students. The Corporation is governed by a five-member board. Its purpose is to aid, support, and promote the University, specifically by the ownership of the Center Stage apartment complex at 900 Center Stage Court, Winston-Salem, NC 27127. Because the directors are appointed by the Chancellor and the Corporation's sole purpose is to benefit the University of North Carolina School of the Arts, its financial statements have been blended with those of the University.

**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 Corporation'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 Corporation 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 Corporation 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.

UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION

Notes to Financial Statements

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. **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 Corporation 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. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of \$100,000 or greater and an estimated useful life of more than one year.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Machinery and Equipment	2-15 years

- F. **Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include principle amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Long-term debt includes certificates of participation payable and other long-term liabilities include compensated absences.

- G. **Compensated Absences** – The Corporation’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.

UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING  
CORPORATION

Notes to Financial Statements

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**G. Compensated Absences (Continued)** - There is no liability for unpaid accumulated sick leave because the Corporation 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.

**H. Net Position** - The Corporation's net position is classified as follows:

**Net Investment in Capital Assets** - This represents the Corporation's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

**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.

**I. Revenue and Expense Recognition** – The Corporation classifies its revenues and expenses as operating and 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 Corporation's principle ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as student rent and fees. 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 investment income are considered nonoperating since these are either investing, capital, or noncapital financing activities.

**J. Income Tax Status** – The Corporation 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.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**

**Notes to Financial Statements**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- J. Income Tax Status (Continued)** – The Corporation’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 Corporation has no uncertain tax positions that would be subject to change upon examination.

The Corporation is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Corporation is also required to file an exempt organization business income tax return (Form 990T) for any year gross unrelated business income exceeds \$1,000.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Corporation’s deposits in the STIF are pooled with UNCSA. UNCSA, unless specifically exempt, is required by North Carolina General Statute (G.S.) 147-77 to deposit monies received with the State Treasurer or with a depository institution in the name of the State Treasurer. Although specifically exempted, the Corporation may voluntarily deposit bond proceeds and debt service funds with the State Treasurer.

At June 30, 2022, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$1,669,598, which represents the Corporation’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.9 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF) are included in the North Carolina Department of State Treasurer Investment Programs’ separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer’s website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

As of June 30, 2022, the Corporation did not have any cash deposits outside the State Treasurer’s STIF; therefore, the Corporation was not exposed to custodial credit risk. The corporation does not have a formal investment policy related to interest rate and credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Corporation’s deposits may not be returned to it.

UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING  
CORPORATION

Notes to Financial Statements

---

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Corporation's investments are recorded at fair value as of June 30, 2022. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

**Short-Term Investment Fund** - At year-end, the Corporation's investments held in the STIF were valued at \$1,669,598. 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 Corporation'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.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**

**Notes to Financial Statements**

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 451,326	\$ -	\$ -	\$ 451,326
<b>Total Capital Assets, Nondepreciable</b>	<b>451,326</b>	<b>-</b>	<b>-</b>	<b>451,326</b>
Capital Assets, Depreciable:				
Buildings	5,495,783	-	-	5,495,783
Machinery and Equipment	10,130	7,550	-	17,680
Total Capital Assets, Depreciable	5,505,913	7,550	-	5,513,463
Less Accumulated Depreciation for:				
Buildings	2,033,441	109,916	-	2,143,357
Machinery and Equipment	3,038	718	-	3,756
Total Accumulated Depreciation	2,036,479	110,634	-	2,147,113
<b>Total Capital Assets, Depreciable, Net</b>	<b>3,469,434</b>	<b>(103,084)</b>	<b>-</b>	<b>3,366,350</b>
<b>Capital Assets, Net</b>	<b>\$ 3,920,760</b>	<b>\$ (103,084)</b>	<b>\$ -</b>	<b>\$ 3,817,676</b>

During the year ended June 30, 2022, the Corporation incurred \$72,813 in interest costs related to the acquisition and construction of capital assets. All of these costs were charged in interest expense.

**NOTE 5 - LONG-TERM LIABILITIES**

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

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Long-Term Debt					
Certificates of Participation	\$ 3,518,000	\$ -	\$ 346,000	\$ 3,172,000	\$ 357,000
Other Long-Term Liabilities					
Compensated Absences	-	4,344	-	4,344	418
<b>Total Long-Term Liabilities, Net</b>	<b>\$ 3,518,000</b>	<b>\$ 4,344</b>	<b>\$ 346,000</b>	<b>\$ 3,176,344</b>	<b>\$ 357,418</b>

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**

**Notes to Financial Statements**

**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

**B. Certificates of Participation** - The Corporation was indebted for certificates of participation (COP) for the purposes shown in the following table:

Purpose	Series	Interest Rate/Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2022	See Table Below
Certificates of Participation						
Student Housing Project	(A)	2.00%	06/01/2030	\$ 5,400,000	\$ 3,172,000	(1)

(A) The University of North Carolina School of the Arts Housing Project, Series 2021 (Refunding of 2015 COPs)

The Corporation has pledged future revenues, net of specific operating expenses, to repay certificates of participation as shown in the table below:

Ref	Revenue Source	Total Future Revenues Pledged	Revenues Net of Expenses	Principal	Interest	Estimate of % of Revenues Pledged
(1)	Housing Revenues	\$ 3,467,280	\$ 344,334	\$ 3,460,000	\$ 72,813	71%

**C. Annual Requirements** - The annual requirements to pay principal and interest on the certificates of participation at June 30, 2022, are as follows:

Fiscal Year	Annual Requirements Certificates of Participation	
	Principal	Interest
2023	\$ 357,000	\$ 63,440
2024	368,000	56,300
2025	378,000	48,940
2026	390,000	41,380
2027	401,000	33,580
2028-2032	1,278,000	51,640
<b>Total Requirements</b>	<b>\$ 3,172,000</b>	<b>\$ 295,280</b>

**D. Terms of Debt Agreements** – The Corporation’s debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

**Certificates of Participation** - The University has pledged the Center Stage Apartment complex as collateral for its outstanding Certificates of Participation of \$3,172,000, maturing on June 1, 2030. Rentals from the apartment complex are pledged for the retirement of this debt. The indenture of trust, the use agreement, and the deed of trust contain provisions related to events of default and remedies.



**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING CORPORATION**

**Notes to Financial Statements**

---

**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

**Certificates of Participation (Continued)** - Significant to the indenture's provisions, an event of default occurs when: (1) the University fails to pay the principal, interest, or premium when due and payable, (2) the University or the University of North Carolina School of the Arts Housing Corporation (Housing Corporation), a blended component unit of the University, fails to observe and perform any covenant, condition, agreement, or provision within thirty days of receiving written notice by the trustee, or (3) a default, as defined in the use agreement, or the deed of trust, occurs and continues.

In addition to the above, an event of default per the deed of trust occurs if: (1) any of the representations or warranties contained in or affecting the deed of trust are untrue or incorrect in any material respect and not remedied within thirty days after notice from the trustee, or (2) the Housing Corporation exhibits that it is insolvent, is bankrupt, or otherwise cannot make payments as required per the deed of trust.

Per the use agreement, if net project revenues from the housing complex are not sufficient to cover base rental payments for two consecutive years, an event of default will occur under the indenture. Additionally, a rate covenant exists under the terms of the use agreement, wherein the University must periodically revise fees, rents, and charges so that housing complex revenues are sufficient in each fiscal year to equal an amount necessary to maintain a debt service coverage ratio of at least 1.15, plus an amount not less than the sum of the required deposit to the Maintenance and Equipment Reserve Fund and the required deposit to the Reserve Fund. In addition, such fees, rents, and charges should be sufficient in each fiscal year to equal at least 110% of the principal and interest requirements. Failure by the University to maintain the ratio and requirements for two consecutive years will be considered an event of default.

In the event of a default, the trustee of the bonds may, with the consent of or at the direction of the insurer, or shall, if required by a majority in aggregate principal amount of the owners of the Certificates, declare the obligations of the Corporation to be immediately due and payable, whereupon they will, without further action become due and payable. The trustee may also exercise all remedies available and permissible by law or in equity, to the extent provided under the applicable agreements, that may appear necessary or desirable to enforce all rights against the Corporation or the secured property.

In addition to the above, per the deed of trust, in the event of a default, the trustee may also: (1) manage and operate the mortgaged property and carry on business and receive all earnings from the mortgaged property after deducting expenses, (2) foreclose the deed of trust, or (3) take such steps to protect and enforce its rights whether by action, suit, or proceedings in equity or at law for the specific performance of any covenant, condition, or agreement in the indenture or the deed of trust.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS HOUSING  
CORPORATION**

**Notes to Financial Statements**

---

**NOTE 6 - TRANSACTIONS WITH UNCSA**

UNCSA employees provide certain services to the Corporation for which the Corporation reimburses UNCSA for salary and salary related expenses. Thus, the Corporation has no employee obligations nor employee benefit obligations. For the year ended June 30, 2022, the Corporation reimbursed UNCSA \$162,760 for these expenses.

UNCSA enters into certain contracts for maintenance, repairs, and custodial services to residence halls and apartments for UNCSA students. This includes the Center State Apartments, owned by the Corporation. Management makes estimates based on the services, time and resources devoted to allocating costs for the various residence halls and apartment buildings. The Corporation's portion of these costs are charged directly to the Corporation.

**NOTE 7 - RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and natural disasters. These exposures to loss are handled through the purchase of commercial insurance. 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.



Bernard Robinson & Company, L.L.P.

September 20, 2022

To the Board of Directors  
University of North Carolina School of the Arts Program Support Corporation  
Winston Salem, NC 27127

We have audited the financial statements of University of North Carolina School of the Arts Program Support Corporation (the “Corporation”) for the year ended June 30, 2022, and we will issue our report thereon dated September 20, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 6, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s 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 significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management’s estimate for depreciation of capital assets.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted during the audit.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 20, 2022.

*Management Consultations with Other Independent Accountants*

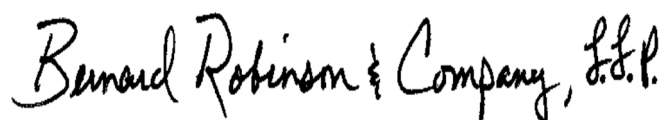
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,



BERNARD ROBINSON & COMPANY, L.L.P.

**UNIVERSITY OF NORTH CAROLINA SCHOOL  
OF THE ARTS PROGRAM SUPPORT CORPORATION**  
(A Component Unit of the University of North Carolina School of the Arts)

**FINANCIAL REPORT**

**JUNE 30, 2022**



**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS  
PROGRAM SUPPORT CORPORATION**  
**Table of Contents**

---

	<u>Page No.</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<i>Financial Statements</i>	
Statement of Net Position .....	7
Statement of Revenues, Expenses, and Changes in Net Position .....	8
Statement of Cash Flows .....	9
Notes to Financial Statements .....	10



## **Independent Auditor's Report**

To the Board of Directors  
University of North Carolina School of the Arts Program Support Corporation  
Winston-Salem, North Carolina

### ***Opinion***

We have audited the accompanying financial statements of University of North Carolina School of the Arts Program Support Corporation (a nonprofit corporation) (the "Corporation"), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year 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 assets and net assets of University of North Carolina School of the Arts Program Support Corporation as of June 30, 2022, and its results of operations 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 Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of University of North Carolina School of the Arts Program Support Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 University of North Carolina School of the Arts Program Support Corporation'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 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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists.

### ***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

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, including omissions, 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 auditing standards generally accepted in the United States of America, 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 University of North Carolina School of the Arts Program Support Corporation'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 University of North Carolina School of the Arts Program Support Corporation'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 on pages 3 through 6 be presented to supplement the basic financial statements. Such information, 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.

*Bernard Robinson & Company, P.C.*

Greensboro, North Carolina  
September 20, 2022



**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS PROGRAM  
SUPPORT CORPORATION  
Management's Discussion and Analysis**

---

## **Introduction**

This section of the University of North Carolina School of the Arts Program Support Corporation (Corporation) financial report provides an overview of the financial position and activities as of and for the year ended June 30, 2022. This discussion has been prepared by management along with the financial statements and related notes to the financial statements and should be read in conjunction with the financial statements and the notes thereto, which follow this section. This discussion and analysis are designed to focus on current activities, resulting change, and current known facts.

## **Using the Financial Statements**

This annual report consists of a series of financial statements, prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). These financial statements focus on the financial condition of the Corporation, the results of operations, and cash flows of the Corporation as a whole. The three financial statements presented include: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Cash Flows provides information relative to the Corporation'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 to ending 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. For the purpose of this discussion, we will address the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

The Notes to the Financial Statements provide information regarding the significant accounting principles applied in the financial statements, authority for and associated risk of deposits, detailed information on deposits, insurance against losses, and if necessary, a discussion of accounting changes, adjustments to prior periods, and events subsequent to the Corporation's financial statement period. Overall, these disclosures provide information to better understand details, risk, and uncertainty associated with amounts reported in the financial statements.

## **Statement of Net Position**

The Statement of Net Position presents the assets, liabilities, and net position of the Corporation as of the end of the fiscal year. The purpose of the Statement of Net Position is to present the readers of the financial statements a fiscal snapshot of the University of North Carolina School of the Arts Program Support Corporation. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets plus deferred outflows minus liabilities plus deferred inflows).

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS PROGRAM  
SUPPORT CORPORATION  
Management's Discussion and Analysis**

---

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Corporation. They are also able to determine how much the Corporation owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the Corporation.

Net position is divided into three major categories. The first category, net investment in capital assets provides the Corporation's total investment in property, plant, and equipment owned by the Corporation, net of outstanding liabilities related to those capital assets (if applicable). The next net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position relates to amounts to be retained in perpetuity. Expendable restricted net position is available for expenditure by the Corporation but must be spent for purposes as determined by donors and/or external entities that have placed certain restrictions on the use of the assets. The final category is unrestricted net position, which is available to the Corporation for any lawful purpose of the Corporation. Please refer to the financial statements and notes to the financial statements for more detail.

**Condensed Statement of Net Position**

	<b>Year Ended June 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Assets</b>			
Current Assets	\$ 74,626	\$ 79,253	\$ (4,627)
Capital Assets, Net	1,082,625	1,082,625	-
Total Assets	<u>1,157,251</u>	<u>1,161,878</u>	<u>(4,627)</u>
<b>Liabilities</b>			
Current Liabilities	1,130	17	1,113
Total Liabilities	<u>1,130</u>	<u>17</u>	<u>1,113</u>
<b>Net Position</b>			
Net Investment in Capital Assets	1,082,625	1,082,625	-
Unrestricted	73,496	79,236	(5,740)
Total Net Position	<u>\$ 1,156,121</u>	<u>\$ 1,161,861</u>	<u>\$ (5,740)</u>

The total assets of the Corporation decreased by \$4,627 for the year due to a decrease in current assets.

The Corporation's net position was \$1,156,121 at June 30, 2022, a decrease of \$5,740 from the prior year. The significant change was within the category of unrestricted.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS PROGRAM  
SUPPORT CORPORATION  
Management's Discussion and Analysis**

---

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

The Statement of Revenues, Expenses, and Changes in Net Position reports the Corporation's results of operation for the fiscal year. Changes in total net position presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues received by the Corporation and expenses paid by the Corporation, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the Corporation.

Generally speaking, operating revenues are received for providing goods and services to the various customers of the Corporation. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Corporation. Nonoperating revenues are revenues received for which goods and services are not provided.

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

	Year Ended June 30,		
	2022	2021	Change
<b>Operating Revenues</b>	<u>\$ 12,668</u>	<u>\$ 3,125</u>	<u>\$ 9,543</u>
<b>Operating Expenses</b>			
Salaries and Benefits	7,855	6,565	1,290
Supplies and Services	10,553	12,662	(2,109)
Total Operating Expenses	<u>18,408</u>	<u>19,227</u>	<u>(819)</u>
Operating Income	<u>(5,740)</u>	<u>(16,102)</u>	<u>10,362</u>
Decrease in Net Position	(5,740)	(16,102)	10,362
Beginning Net Position	<u>1,161,861</u>	<u>1,177,963</u>	<u>(16,102)</u>
Ending Net Position	<u>\$ 1,156,121</u>	<u>\$ 1,161,861</u>	<u>\$ (5,740)</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects a decrease in the net position at the end of the year. Total operating revenues for the fiscal year were \$12,668 compared to \$3,125 from the previous year, an increase of \$9,543. Operating revenues increased due to an increase in demand for film print rentals coming out of the COVID-19 pandemic.

Total operating expenses were \$18,408 for the fiscal year ended June 30, 2022, and \$19,227 for 2021. This was comparable to the prior year.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS PROGRAM  
SUPPORT CORPORATION  
Management's Discussion and Analysis**

---

**Economic Outlook**

The University of North Carolina School of the Arts Program Support Corporation continued to manage and use its resources wisely in fiscal year 2022. Based on currently known facts about the Corporation's financial performance in fiscal year 2022, management is confident that its sound financial position will be maintained throughout the next operating period. University administration will continue to effectively manage the financial resources of the Corporation to serve the University of North Carolina School of the Arts and to provide the highest quality educational experience to our students.

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS**  
**PROGRAM SUPPORT CORPORATION**  
**Statement of Net Position**  
**June 30, 2022**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 67,755
Receivables	1,750
Prepaid Items	5,121
	<hr/>
Total Current Assets	74,626
	<hr/>

Noncurrent Assets:

Capital Assets - Nondepreciable	1,082,625
	<hr/>
Total Noncurrent Assets	1,082,625
	<hr/>
Total Assets	1,157,251
	<hr/>

**DEFERRED OUTFLOWS OF RESOURCES**

-

---

**LIABILITIES**

1,130

---

**DEFERRED INFLOWS OF RESOURCES**

-

---

**NET POSITION**

Investment in Capital Assets	1,082,625
Unrestricted	73,496
	<hr/>
Total Net Position	\$ 1,156,121
	<hr/> <hr/>

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS**  
**PROGRAM SUPPORT CORPORATION**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit A-2**

**OPERATING REVENUES**

Film Rentals \$ 12,668

**OPERATING EXPENSES**

Salaries and Benefits 7,855

Supplies and Services 10,553

Total Operating Expenses 18,408

Operating Loss (5,740)

Decrease in Net Position (5,740)

**NET POSITION**

Net Position - July 1, 2021 1,161,861

Net Position - June 30, 2022 \$ 1,156,121

**UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS  
PROGRAM SUPPORT CORPORATION  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2022**

**Exhibit A-3**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 11,948
Payments to Employees and Fringe Benefits	(6,725)
Payments to Vendors and Suppliers	(15,691)
	<hr/>
Net Cash Used by Operating Activities	(10,468)
	<hr/>
Net Decrease in Cash and Cash Equivalents	(10,468)
Cash and Cash Equivalents - July 1, 2021	78,223
	<hr/>
Cash and Cash Equivalents - June 30, 2022	\$ 67,755
	<hr/> <hr/>

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

Operating Loss	\$ (5,740)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Receivables, Net	(720)
Prepaid Items	(5,121)
Accounts Payable and Accrued Liabilities	1,113
	<hr/>
Net Cash Used by Operating Activities	\$ (10,468)
	<hr/> <hr/>

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

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity** - The University of North Carolina School of the Arts Program Support Corporation (Corporation), a blended component unit of the University of North Carolina School of the Arts (University), is a North Carolina nonprofit corporation organized to benefit the University. The Corporation is governed by at least three and no more than 12 appointed directors. Its purpose is to foster, promote, manage, assist, and support the schools of Dance, Design and Production, Drama, Filmmaking, and Music, and any other related activity of the University. Because the directors are appointed by the Chancellor and the Corporation's sole purpose is to benefit the University of North Carolina School of the Arts, its financial statements have been blended with those of the University.

**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 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 Corporation'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 Corporation 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 Corporation receives (or gives) value without directly giving (or receiving) equal value in exchange. 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.



**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- E. 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 Corporation 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. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of \$100,000 or greater and an estimated useful life of more than one year.

The Regis film collection, acquired prior to July 1, 2015, is capitalized at cost or fair value at the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

- F. Net Position** - The Corporation's net position is classified as follows:

**Net Investment in Capital Assets** - This represents the Corporation's total investment in capital assets, net of outstanding liabilities related to those capital assets.

**Unrestricted Net Position** - Unrestricted net position includes resources derived from unrestricted gifts and film rentals.

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 established for unrestricted activities. Net position includes consideration of deferred outflows of resources and deferred inflows of resources.

- G. Revenue and Expense Recognition** - The Corporation 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 Corporation's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as film rentals. 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 are considered nonoperating since these are either investing, capital, or noncapital financing activities.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Income Tax Status** - The Corporation 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 Corporation'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 Corporation has no uncertain tax positions that would be subject to change upon examination.

The Corporation is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Corporation is also required to file an exempt organization business income tax return (Form 990-T) for any year gross unrelated business income exceeds \$1,000.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Corporation's deposits in the STIF are pooled with UNCSA. UNCSA, unless specifically exempt, is required by *North Carolina General Statute (G.S.) 147-77* to deposit monies received with the State Treasurer or with a depository institution in the name of the State Treasurer. Although specifically exempted, the Corporation may voluntarily deposit bond proceeds and debt service funds with the State Treasurer.

At June 30, 2022, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$67,775, which represents the Corporation's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

As of June 30, 2022, the Corporation did not have any cash deposits outside the State Treasurer's STIF; therefore, the Corporation was not exposed to custodial credit risk. The corporation does not have a formal investment policy related to interest rate and credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it.

**NOTE 3 - FAIR VALUE MEASUREMENTS**

To the extent available, the Corporation's investments are recorded at fair value as of June 30, 2022. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

**NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)**

**Short-Term Investment Fund** - At year-end, the University's investments held in the STIF were valued at \$67,755. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The Corporation'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.

**NOTE 4 - RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and natural disasters. These exposures to loss are handled through the purchase of commercial insurance. 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.



Bernard Robinson & Company, L.L.P.

September 19, 2022

To the Board of Directors  
Thomas S. Kenan Institute for the Arts Supporting Organization  
Winston Salem, NC 27127

We have audited the financial statements of Thomas S. Kenan Institute for the Arts Supporting Organization (the “Corporation”) for the year ended June 30, 2022, and we will issue our report thereon dated September 19, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 6, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note A to the financial statements. All accounting policies were adopted in 2022. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s 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 significantly from those expected. No sensitive estimates affecting the financial statements were identified.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted during the audit.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 19, 2022.

*Management Consultations with Other Independent Accountants*

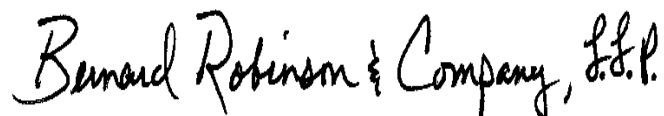
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

A handwritten signature in black ink that reads "Bernard Robinson & Company, L.L.P." in a cursive script.

BERNARD ROBINSON & COMPANY, L.L.P.

**THOMAS S. KENAN INSTITUTE FOR THE ARTS  
SUPPORTING ORGANIZATION**  
(A Component Unit of the University of North Carolina School of the Arts)

**FINANCIAL REPORT**

**JUNE 30, 2022**



**THOMAS S. KENAN INSTITUTE FOR THE ARTS SUPPORTING ORGANIZATION**  
**Table of Contents**

---

	<u>Page No.</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<i>Financial Statements</i>	
Statement of Net Position .....	7
Statement of Revenues, Expenses, and Changes in Net Position .....	8
Statement of Cash Flows .....	9
Notes to Financial Statements .....	10





## **Independent Auditor's Report**

To the Board of Directors  
Thomas S. Kenan Institute for the Arts Supporting Organization  
Winston-Salem, North Carolina

### ***Opinion***

We have audited the accompanying financial statements of Thomas S. Kenan Institute for the Arts Supporting Organization (a nonprofit corporation) (the "Corporation"), which comprise the balance sheet as of June 30, 2022, and the related statements of revenues, expenses, and change in net position, and cash flows for the year 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 assets and net assets of Thomas S. Kenan Institute for the Arts Supporting Organization as of June 30, 2022, and its results of operations 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 Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Thomas S. Kenan Institute for the Arts Supporting Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 Thomas S. Kenan Institute for the Arts Supporting 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 Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists.

***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

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, including omissions, 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 auditing standards generally accepted in the United States of America, 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 Thomas S. Kenan Institute for the Arts' 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 Thomas S. Kenan Institute for the Arts Supporting 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 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 on pages 3 through 6 be presented to supplement the basic financial statements. Such information, 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.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
September 19, 2022

# **THE THOMAS S. KENAN INSTITUTE FOR THE ARTS SUPPORTING ORGANIZATION**

## **Management's Discussion and Analysis**

---

### **Introduction**

This section of The Thomas S. Kenan Institute for the Arts Supporting Organization (Corporation) financial report provides an overview of the financial position and activities as of and for the year ended June 30, 2022. This discussion has been prepared by management along with the financial statements and related notes to the financial statements and should be read in conjunction with the financial statements and the notes thereto, which follow this section. This discussion and analysis is designed to focus on current activities, resulting change, and current known facts.

### **Using the Financial Statements**

This annual report consists of a series of financial statements, prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). These financial statements focus on the financial condition of the Corporation, the results of operations, and cash flows of the Corporation as a whole. The three financial statements presented include: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Cash Flows provides information relative to the Corporation'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 to ending 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. For the purpose of this discussion, we will address the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

The Notes to the Financial Statements provide information regarding the significant accounting principles applied in the financial statements, authority for and associated risk of deposits, detailed information on deposits, insurance against losses, and if necessary, a discussion of accounting changes, adjustments to prior periods, and events subsequent to the Corporation's financial statement period. Overall, these disclosures provide information to better understand details, risk, and uncertainty associated with amounts reported in the financial statements.

### **Statement of Net Position**

The Statement of Net Position presents the assets, liabilities, and net position of the Corporation as of the end of the fiscal year. The purpose of the Statement of Net Position is to present the readers of the financial statements a fiscal snapshot of the Thomas S. Kenan Institute for the Arts Supporting Organization. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets plus deferred outflows minus liabilities plus deferred inflows).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Corporation. They are also able to determine how much the Corporation owes vendors, investors, and lending institutions. Finally, the Statement of Net

**THE THOMAS S. KENAN INSTITUTE FOR THE ARTS SUPPORTING ORGANIZATION**  
**Management's Discussion and Analysis**

---

Position provides a picture of the net position and their availability for expenditure by the Corporation.

Net position is divided into three major categories. The first category, net investment in capital assets provides the Corporation's total investment in property, plant, and equipment owned by the Corporation, net of outstanding liabilities related to those capital assets (if applicable). The next net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position relates to amounts to be retained in perpetuity. Expendable restricted net position is available for expenditure by the Corporation but must be spent for purposes as determined by donors and/or external entities that have placed certain restrictions on the use of the assets. The final category is unrestricted net position, which is available to the Corporation for any lawful purpose of the Corporation. Please refer to the financial statements and notes to the financial statements for more detail.

**Condensed Statement of Net Position**

	<b>Year Ended June 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Assets</b>			
Current Assets	\$ 1,480,348	\$ 1,075,211	405,137
Total Assets	1,480,348	1,075,211	405,137
<b>Liabilities</b>			
Current Liabilities	8,073	10,392	(2,319)
Total Liabilities	8,073	10,392	(2,319)
<b>Net Position</b>			
Unrestricted	1,472,275	1,064,819	407,456
Total Net Position	\$ 1,472,275	\$ 1,064,819	\$ 407,456

The total assets of the Corporation increased by \$405,137 for the year due to an increase in current assets. This increase was in cash and cash equivalents due mainly to an increase in noncapital contributions.

The Corporation's net position was \$1,472,275 at June 30, 2022, an increase of \$407,456 from the prior year. The significant change was within the category of unrestricted due to an increase in cash and cash equivalents.

**THE THOMAS S. KENAN INSTITUTE FOR THE ARTS SUPPORTING ORGANIZATION**  
**Management's Discussion and Analysis**

---

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

The Statement of Revenues, Expenses, and Changes in Net Position reports the Corporation's results of operation for the fiscal year. Changes in total net position presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues received by the Corporation and expenses paid by the Corporation, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the Corporation.

Generally speaking, operating revenues are received for providing goods and services to the various customers of the Corporation. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Corporation. Nonoperating revenues are revenues received for which goods and services are not provided.

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

	<b>Year Ended June 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Operating Revenues</b>	\$ 18,357	120,505	\$ (102,148)
<b>Operating Expenses</b>			
Salaries and Benefits	598,335	700,542	(102,207)
Supplies and Services	714,754	853,945	(139,191)
Utilities	3,965	3,646	319
Total Operating Expenses	1,317,054	1,558,133	(241,079)
Operating Loss	(1,298,697)	(1,437,628)	138,931
<b>Nonoperating Revenues (Expenses)</b>			
Noncapital Contributions	1,706,000	1,235,250	470,750
Investment Income	153	120	33
Total Nonoperating Revenues	1,706,153	1,235,370	470,783
Increase (Decrease) in Net Position	407,456	(202,258)	609,714
Beginning Net Position	1,064,819	1,267,077	(202,258)
Ending Net Position	\$ 1,472,275	\$ 1,064,819	\$ 407,456

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in the net position at the end of the year. Total revenues for the fiscal year were \$1,724,510 compared to \$1,355,875 from the previous year, an increase of \$368,635. This was mainly due to an increase in noncapital contributions.

Total operating expenses were \$1,317,054 for the fiscal year ended June 30, 2022, and \$1,558,133 for 2021. The decrease was mainly due to a decrease in expenses for the Creative Catalyst Certificate program.

**THE THOMAS S. KENAN INSTITUTE FOR THE ARTS SUPPORTING ORGANIZATION**  
**Management's Discussion and Analysis**

---

**Economic Outlook**

The Thomas S. Kenan Institute for the Arts Supporting Organization continued to manage and use its resources wisely in fiscal year 2022. Based on currently known facts about the Corporation's financial performance in fiscal year 2022, management is confident that its sound financial position will be maintained throughout the next operating period. University administration will continue to effectively manage the financial resources of the Corporation to exclusively support the programs, activities, and administration of the Thomas S. Kenan Institute for the Arts at UNCSEA.

**THE THOMAS S. KENAN INSTITUTE FOR THE ARTS  
SUPPORTING ORGANIZATION  
Statement of Net Position  
June 30, 2022**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,480,348
Total Current Assets	<u>1,480,348</u>
Total Assets	<u>1,480,348</u>

**DEFERRED OUTFLOWS OF RESOURCES**

-

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities	<u>8,073</u>
Total Current Liabilities	<u>8,073</u>
Total Liabilities	<u>8,073</u>

**DEFERRED INFLOWS OF RESOURCES**

-

**NET POSITION**

Unrestricted	<u>1,472,275</u>
Total Net Position	<u>\$ 1,472,275</u>

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

**THE THOMAS S. KENAN INSTITUTE FOR THE ARTS  
SUPPORTING ORGANIZATION  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2022**

**Exhibit A-2**

**OPERATING REVENUES**

Sales and Services	\$	16,627
Other Operating Revenues		<u>1,730</u>
Total Operating Revenues		<u>18,357</u>

**OPERATING EXPENSES**

Salaries and Benefits		598,335
Supplies and Services		714,754
Utilities		<u>3,965</u>
Total Operating Expenses		<u>1,317,054</u>
Operating Loss		<u>(1,298,697)</u>

**NONOPERATING REVENUES**

Noncapital Contributions		1,706,000
Investment Income		<u>153</u>
Net Nonoperating Revenues		<u>1,706,153</u>
Increase in Net Position		407,456

**NET POSITION**

Net Position - July 1, 2021		<u>1,064,819</u>
Net Position - June 30, 2022	\$	<u><u>1,472,275</u></u>

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



**THE THOMAS S. KENAN INSTITUTE FOR THE ARTS  
SUPPORTING ORGANIZATION  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2022**

**Exhibit A-3**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 18,357
Payments to Employees and Fringe Benefits	(598,335)
Payments to Vendors and Suppliers	<u>(721,038)</u>
Net Cash Used by Operating Activities	<u>(1,301,016)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Noncapital Contributions	<u>1,706,000</u>
Cash Provided by Noncapital Financing Activities	<u>1,706,000</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	<u>153</u>
Net Cash Provided by Investing Activities	<u>153</u>

Net Increase in Cash and Cash Equivalents	405,137
Cash and Cash Equivalents - July 1, 2021	<u>1,075,211</u>
Cash and Cash Equivalents - June 30, 2022	<u><u>\$ 1,480,348</u></u>

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

Operating Loss	\$ (1,298,697)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Payable and Accrued Liabilities	<u>(2,319)</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,301,016)</u></u>

**THE THOMAS S. KENAN INSTITUTE FOR THE ARTS SUPPORTING ORGANIZATION**

**Notes to Financial Statements**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity** - The Thomas S. Kenan Institute for the Arts Supporting Organization (Corporation), a blended component unit of the University of North Carolina School of the Arts (University), is a North Carolina nonprofit corporation organized to receive and administer funds exclusively for, and to exclusively support the programs, activities, and administration of, the Thomas S. Kenan Institute for the Arts at UNCSA. The Corporation is governed by at least five (5) and no more than ten (10) appointed directors. Its purpose includes, but is not limited to receiving, investing, and administering funds for UNCSA to use for its charitable, scientific, and educational purposes. Because the directors are mainly officers of the University and the Corporation's sole purpose is to provide support to UNCSA and affiliated and associated entities, its financial statements have been blended with those of the University.

**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 Corporation'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 Corporation 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 Corporation 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 cash on deposit with private bank accounts.

**E. 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

**THE THOMAS S. KENAN INSTITUTE FOR THE ARTS SUPPORTING ORGANIZATION**  
**Notes to Financial Statements**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 Corporation 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. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of \$100,000 or greater and an estimated useful life of more than one year.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Machinery and Equipment	2-15 years

**F. Net Position** - The Corporation's net position is classified as follows:

**Unrestricted Net Position** - Unrestricted net position includes resources derived from sales and services, unrestricted gifts, surplus sales, and rental income.

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 established for unrestricted activities. Net position includes consideration of deferred outflows of resources and deferred inflows of resources.

**G. Revenue and Expense Recognition** – The Corporation classifies its revenues and expenses as operating and 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 Corporation's principle ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as film rentals. 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 are considered nonoperating since these are either investing, capital, or noncapital financing activities.

**THE THOMAS S. KENAN INSTITUTE FOR THE ARTS SUPPORTING ORGANIZATION**

**Notes to Financial Statements**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Income Tax Status** – The Corporation 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 Corporation'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 Corporation has no uncertain tax positions that would be subject to change upon examination.

The Corporation is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Corporation is also required to file an exempt organization business income tax return (Form 990T) for any year gross unrelated business income exceeds \$1,000.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The carrying amount of the Corporation's deposits not with the State Treasurer \$1,480,348. Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk. As of June 30, 2022, \$1,085,448 of the Corporation's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

**NOTE 3 – RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and natural disasters. These exposures to loss are handled through the purchase of commercial insurance. 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.

**AGENDA ITEM**

Internal Audit Activity Update ..... Rod Isom & IA Staff

**Summary\*:**

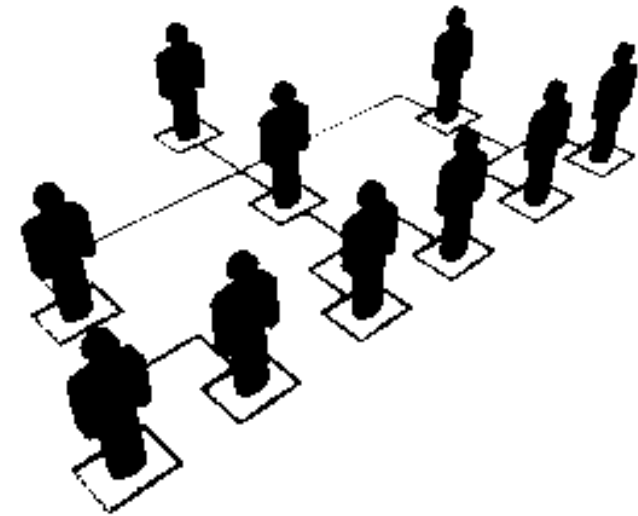
- a) **IA Operations Update**  
*An update on Internal Audit staffing will be discussed.*
- b) **Recent Reports and Other Communications**  
*Recent reports or other audit communications that have been released will be discussed.*
- c) **Audit Plan Project Status and Update**  
*The status of projects or any updates to Internal Audit's audit plan will be discussed.*
- d) **Other Activities and Matters**  
*Other relevant matters or significant activities related to Internal Audit, the profession, or risk in general will be discussed.*

*\*Additional information related to these items or any internal audits or reviews released prior to the meeting will be provided at the meeting.*

**Action:** These items are for informational purposes only.

# Internal Audit Operations Update

- **New employee** - Robert Davis III, CFE, Esq. will serve as the office's Investigative Auditor. As the investigative auditor, he will serve as the primary lead on conducting investigations and addressing complaints, and he will also conduct standard routine audits. Robert is a certified fraud examiner (CFE) and received his law degree from North Carolina Central University (NCCU) School of Law and his bachelor's degree from North Carolina Agricultural & Technical State University. Robert's first day was November 14<sup>th</sup>.
- Recruitment efforts are in place for two audit positions.



# Fiscal Year 22 Plan Component Project Status

Plan Component	Last Milestone*	Progress Status^
FY2021 Self Assessment Maturity Model	FR	Complete
Investigation: HR Data – <b>9/16/22</b>	FR	Complete
Planned: Strategic Management Training	DR	Some Delays
Planned: Title IX - Programming & Training (Students)	DR	Major Delays
Quality Assessment Review – Peer External Assessment Review	DR	

## ^Progress Status

Red - Major Delays

Orange - Some Delays

Green - On Track

Blue - Not Started

## \*Milestones

- (PC) Planning Complete
- (EC) Entrance Conference
- (FC) Fieldwork Commenced
- (FCP) Fieldwork Complete
- (EXC) Exit Conference
- (DR) Draft Report Issued
- (FR) Final Report Issued

# Other Activities & Matters

## IIA Standards Update Coming Soon:

The International Internal Audit Standards Board's multiyear IPPF Evolution Project aims to streamline and simplify the International Standards for the Professional Practice of Internal Auditing. New draft Standards will be available for public comment in early 2023, with final Standards expected later that year. New Standards become effective 12 (TBD) months from the release date, which expected to be sometime in 2024.



The Institute of  
**Internal Auditors**



# Other Activities & Matters

## Elevated Risk Matters:

Due to current events and trends, the following risk matters are trending upward

- Campus Safety
- Mental Health

