

December 1, 2022
University of North Carolina School of the Arts
Seman's Arts and Administration Building, Room 306
Winston-Salem, North Carolina

BOARD MEMBERS:

Graydon Pleasants (chair), Jeffrey Bullock, Kyle Petty, Paul Tazewell, Ralph Womble, Mark Land (ex officio)

COMMITTEE STAFF:

Wendy Emerson (Interim VC for Finance), Heidi Mallory (Director of Budget), Steve Martin (AVC Facilities), David Harrison (VC for Institutional Integrity & General Counsel), Krista Hopkins, Amanda Balwah, Cindy Liberty (Foundation Liasion), Dave LaVack (Staff Council Representative), Jared Redick (Faculty Council Representative)

AGENDA

1. Call to Order and Confirm Quorum.....Chair Pleasants
2. Approval of Minutes from the September 2022 Meeting.....Chair Pleasants
3. 2023 UNC State Legislative Budget Priorities.....Wendy Emerson
4. FY 2023-2024 Tuition and Fees (vote required).....Wendy Emerson
5. FY 2022 Financial Statement Audit Update.....Wendy Emerson
6. FY 2023-2029 Six-Year Capital Plan.....Wendy Emerson
7. Capital Projects Update.....Wendy Emerson
8. Other BusinessChair Pleasants
9. AdjournChair Pleasants

DRAFT OPEN MINUTES

September 29, 2022
University of North Carolina School of the Arts
Winston-Salem, North Carolina

COMMITTEE PRESENT

Jeffery Bullock, Kyle Petty, Mark Land, Ralph Womble (*ex officio*)

COMMITTEE STAFF PRESENT

Wendy Emerson, David Harrison, Steve Martin, Krista Hopkins, Heidi Mallory, Cindy Liberty, Stephen Cochrane (Staff Council), Jared Reddick (Faculty Council), Amanda Balwah

OTHERS PRESENT

Jim DeCristo, Patrick Sims, Lissy Garrison, Phil Byers (*BOG Liaison, via zoom*), Rachel Williams, Eric Burns, Katherine Johnson (*via zoom*), Pree Nayak (*via zoom*), Travis Andrews

CONVENE MEETING AND CONFIRM QUORUM

In Chair Graydon Pleasants' absence, *ex officio* Ralph Womble called the meeting of the Finance Committee to order and confirmed that a quorum was present.

APPROVAL OF MINUTES

Ralph Womble t asked the committee members to review the minutes from the December 2021 meeting.

MOTION: Ralph Womble moved to approve the minutes from the April 2022 meeting. Jeffrey Bullock seconded and the minutes were unanimously approved.

BUDGET UPDATE

Wendy Emerson, Interim Vice Chancellor for Finance & Administration provided an update on the FY22-23 state budget to the committee and discussed preliminary projections for the FY23-24 state budget.

TUITION & FEES PROCESS

Ms. Emerson outlined the annual Tuition and Fees process and timeline for proposing adjustments to FY23-24 Tuition and Fees. Recommendations for proposed actions will be presented to the UNCSCA Finance Committee and the UNCSCA Board of Trustees at the December 2022 meeting for approval and submission to the UNC System Office and subsequently the Board of Governors.

CAPITAL PROJECTS UPDATE

Ms. Emerson gave the capital projects update, discussing the appropriated Repair and Renovation projects for UNCSCA. Steve Martin, Associate Vice Chancellor for Facilities shared additional information on the Stevens Center major renovation project.

ADJOURN

Ralph Womble asked for a motion to adjourn the meeting of the Finance Committee of the University of North Carolina School of the Arts adjourned at approximately 9:45 a.m.

MOTION: Mark Land made the first motion to adjourn with a second from Kyle Jeffrey Bullock.

Submitted by: Krista Hopkins, Executive Assistant to the Vice Chancellor for Finance and Administration

AGENDA ITEM

2023 UNC State Legislative Budget Priorities.....Wendy Emerson

Summary: The UNC System will pursue a legislative agenda that provides flexibility and the necessary tools to achieve strategic plan goals, while adapting to the changing higher education landscape. Budget priorities align with the System’s strategic plan themes: access, affordability and efficiency, student success, economic impact and community engagement, and excellent and diverse institutions. These budget priorities reflect a focus on:

- Incorporating performance-weighting into the funding model
- Efforts to help institutions adjust to changing enrollment patterns
- Faculty & staff compensation that is responsive to labor market and inflationary pressures
- Providing high quality programs that address healthcare, educator preparation and other high demand workforce needs
- Addressing critical enterprise risks
- Fully funding building reserves

Action: This item is for informational purposes only.



MEETING OF THE BOARD OF TRUSTEES
Finance Committee
Thursday, December 01, 2022

AGENDA ITEM

FY 2023-2024 Tuition and Fees.....Wendy Emerson

Summary: The System Office set clear guidance for institutions to follow regarding Campus-Initiated Tuition and Fee Adjustments. This reflects President Hans and the Board of Governors’ commitment to promoting accessibility and affordability as well as their recognition of growing inflationary costs and the financial burden this has placed on students, families, and universities.

Tuition:
Increases are allowed for resident and nonresident graduate students, nonresident undergraduate students, and nonresident high school students.

Fees:
There are three categories of UNC Board of Governors Approved Fees.
Mandatory Fees - The Board of Governors will consider increases to mandatory fees, which at UNCSA include Health Services, Student Activities, Educational & Technology, and Campus Security. Increases are subject to the 3% statutory cap and must be intended to defray the impacts of inflationary costs. The BOG will not consider fee increases intended to support any expansion of services unless the expansion is supported by reprioritizing how existing fee revenue is used or by offsetting the increase with commensurate decrease to another fee.

Special Fees – The BOG will consider increases to Special Fees for inflationary cost increases, which at UNCSA include University-wide Production, One Card, and Art School Fees (Dance, Design & Production, Drama, Filmmaking, and Music).

Application Fees – shall remain at established rates.

The following are UNCSA Board of Trustees Approved Fees.
Miscellaneous Fees – Oversight of Miscellaneous fees remain with campus level Board of Trustees, which at UNCSA includes Transportation, Parking, Transcript, Returned Check, Orientation, One Card Replacement, Graduation, Housing, and Dining.

The University’s Tuition and Fee committee met and has recommended increases for all tuition categories allowed under System Office guidance. In addition, the committee is recommending increases to fees in Educational & Technology, Student Activities, Health Services, One Card, School of Drama, School of Filmmaking, University-wide Production, High School Housing, Transportation, and Parking for the 2023-2024 academic year.

Action: This item needs committee approval.

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 UNCSA Housing Corporation, UNCSA Program Support Corporation, and the Kenan Institute for the Arts.

- The UNCSA Financial Statement Audit for Fiscal Year 2022 is being finalized. The results of the audit are expected within the next few weeks.
- The UNCSA 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 UNCSA 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.

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

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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

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

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
Operating Revenues	\$ 1,268,637	\$ 1,088,004	\$ 180,633
Operating Expenses			
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)
Nonoperating Revenues (Expenses)			
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
Total Current Assets	<u>1,694,538</u>

Noncurrent Assets:

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

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)	<u>357,418</u>
Total Current Liabilities	<u>371,141</u>

Noncurrent Liabilities:

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

DEFERRED INFLOWS OF RESOURCES-**NET POSITION**

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

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
	<hr/>
Total Operating Revenues	1,268,637
	<hr/>
Total Operating Revenues	1,268,637
	<hr/>

OPERATING EXPENSES

Salaries and Benefits	162,760
Supplies and Services	592,642
Utilities	89,684
Depreciation	110,634
	<hr/>
Total Operating Expenses	955,720
	<hr/>
Operating Income	312,917
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NONOPERATING REVENUES (EXPENSES)

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

NET POSITION

Net Position - July 1, 2021	2,153,709
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Net Position - June 30, 2022	\$ 2,322,147
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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)
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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)
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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
Total Capital Assets, Nondepreciable	451,326	-	-	451,326
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
Total Capital Assets, Depreciable, Net	3,469,434	(103,084)	-	3,366,350
Capital Assets, Net	\$ 3,920,760	\$ (103,084)	\$ -	\$ 3,817,676

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
Total Long-Term Liabilities, Net	\$ 3,518,000	\$ 4,344	\$ 346,000	\$ 3,176,344	\$ 357,418

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
Total Requirements	\$ 3,172,000	\$ 295,280

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 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 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
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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

	Year Ended June 30,		
	2022	2021	Change
Assets			
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>
Liabilities			
Current Liabilities	1,130	17	1,113
Total Liabilities	<u>1,130</u>	<u>17</u>	<u>1,113</u>
Net Position			
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
Operating Revenues	<u>\$ 12,668</u>	<u>\$ 3,125</u>	<u>\$ 9,543</u>
Operating Expenses			
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		<u>(15,691)</u>
Net Cash Used by Operating Activities		<u>(10,468)</u>
Net Decrease in Cash and Cash Equivalents		(10,468)
Cash and Cash Equivalents - July 1, 2021		<u>78,223</u>
Cash and Cash Equivalents - June 30, 2022	\$	<u><u>67,755</u></u>

**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		<u>1,113</u>
Net Cash Used by Operating Activities	\$	<u><u>(10,468)</u></u>

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 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

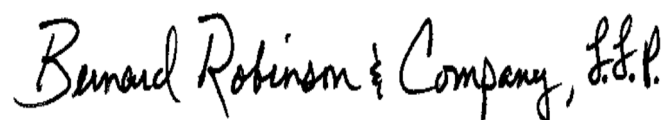
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of 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.

**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
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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

	Year Ended June 30,		
	2022	2021	Change
Assets			
Current Assets	\$ 1,480,348	\$ 1,075,211	405,137
Total Assets	1,480,348	1,075,211	405,137
Liabilities			
Current Liabilities	8,073	10,392	(2,319)
Total Liabilities	8,073	10,392	(2,319)
Net Position			
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

	Year Ended June 30,		
	2022	2021	Change
Operating Revenues	\$ 18,357	120,505	\$ (102,148)
Operating Expenses			
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
Nonoperating Revenues (Expenses)			
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><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 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	1,730
	<hr/>
Total Operating Revenues	18,357
	<hr/>

OPERATING EXPENSES

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

NONOPERATING REVENUES

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

NET POSITION

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

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.



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

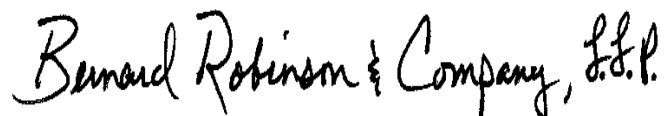
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of 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,



BERNARD ROBINSON & COMPANY, L.L.P.

AGENDA ITEM

Six-Year Capital Plan.....Wendy Emerson

Summary:

The 2021 Budget Appropriations Act (S.L. 2021-180) signaled a change in the funding model for capital projects. Previously, large capital programs were funded through the issuance of state bonds. The Act represented a shift to a cash-funded model. As stated in Section 40.2, “It is the intent of the General Assembly to fund capital improvement projects on a cash flow basis and to plan for future project funding based upon projected availability in the State Capital and Infrastructure Fund” (SCIF).

The capital project priorities for the UNC System continue to focus on the following:

- Support the continuation of SCIF funding as outlined in FY2021 Budget Appropriations Act so that previously authorized capital projects can be fully funded.
- Support targeted repair or replacement capital projects that extend the useful life of existing buildings, especially those that are critical to maintaining core mission buildings or essential operational plant functions (infrastructure).
- Support limited new construction or facility rehabilitation capital projects for new requirements or programs which cannot be accommodated in any other existing building.

The Six-Year Capital Plan is comprised of the following:

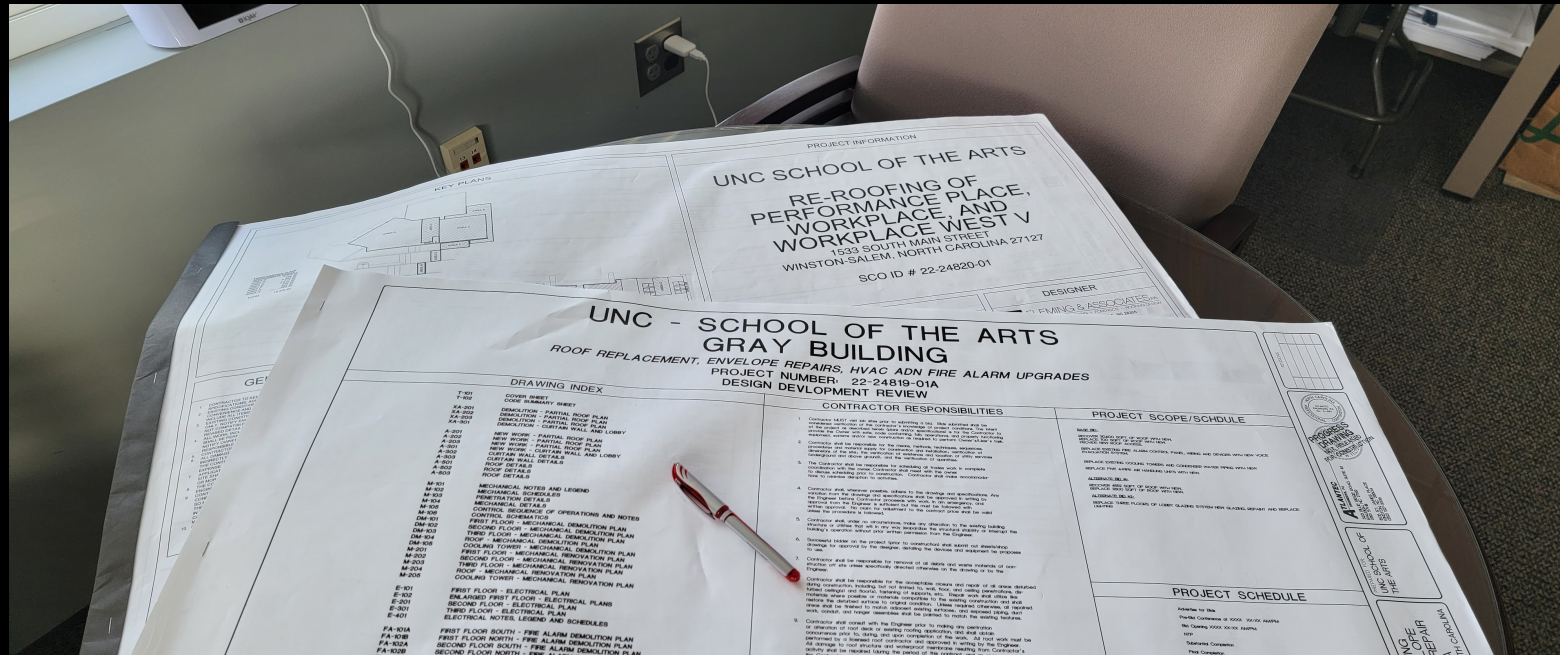
- SCIF major repair and renovation projects
- SCIF minor (maintenance) repair and renovation projects
- Named and new appropriated capital improvement projects
- Non-appropriated major R&R and new capital improvement projects (including self-liquidating)
- Non-appropriated minor repair and renovation projects

Action: This item is for informational purposes only.

Capital Project Update

November 29, 2022

Facilities Management Department
W. Steve Martin, RA
Associate Vice Chancellor - Facilities



UNIVERSITY OF NORTH CAROLINA

SCHOOL OF THE ARTS

2020-2021 Carry Forward: \$1,696,844

- Performance Place - Increase in Authorization \$400,000
 - Project Complete.

- Kenan Drive – Repaving and Curb/Gutter repair \$500,000
 - Designer: Davenport. Project bid over budget. Funds diverted to DeMille Theater HVAC project.

- DeMille Theater – Boiler/AHU/BAS replacement \$375,000
 - Designer: CMTA Engineers. Project Value Engineered and resubmitted to SCO for review.

- Hanes Commons – Emergency Generator \$190,000
 - Designer: NV5 Engineers. Successful bid. Generator on order. 12-month lead time.

- Gray Building – Window Replacement \$231,844
 - In-House Design. Project complete.

2021-2022 Repair & Renovations: \$2,000,000

- Gray Building – New Main Electrical Service \$256,000
 - Designer: Sud Engineering. Construction Documents at SCO for Final Review

- Workplace – Drama Studio Renovations \$448,000
 - Designer: Walter Robbs Callahan Pierce. General Contractor: HM Kerns. Project in progress. Scheduled for completion March 2023.

- Workplace – Drama Administrative Office Renovations \$323,000
 - Designer: Walter Robbs Callahan Pierce. General Contractor: HM Kerns. Project in progress and scheduled for completion December 19, 2022.

- Film School – Buildings #1 and #2 - Repair/Replace Windows \$202,000
 - Designer: Tad Furrow, P.E. Design in progress; Schematic Design documents at SCO for review.

- Campus wide – ADA Improvements \$54,000
 - Designer: Lambert Architects. Phase II complete. Phase III in progress.

- Film School - Building #1 – Theater Dimmers & Lighting \$232,000
 - Designer: Dewberry Davis Engineers. Bid opening: October 27, 2022. \$17K over budget. Negotiating with apparent low bidder to bring project within budget.

- Film Archives Building – HVAC and Controls \$485,000
 - Designer: Sud Engineering. Design has been approved for construction by SCO. Bid opening set for December 8, 2022.

2021-2022 Major Renovations: \$35,585,000

- Stevens Center – Comprehensive Renovation Phase I \$25,000,000
- Stevens Center – Roof, Water Infiltration, Building Envelope \$4,800,000
 - Projects were combined.
 - Design Team: Little Diversified Architects + Steinberg Hart. CM@Risk: Frank L. Blum.
 - Advanced Planning for Phase I and Roof, Water Infiltration, Building Envelope project is complete. Received SCO approval October 2023.
 - Currently reviewing Phase I Design proposal
- Gray Building – Roof, HVAC, Fire Suppression, Building Envelope \$3,350,000
 - Designer: Atlantec + Raymond. Design Development documents have been approved by SCO. Construction Document phase underway.
- Performance Place, Workplace, Workplace V – Roof replacements \$2,435,000
 - Designer: Fleming & Associates. Design Development documents have been submitted to SCO. Construction Document phase will follow upon SCO approval.