
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: LEASE OBLIGATIONS

A. Summary Information

Primary Government – Lease activity for the year ended June 30, 2022, was as follows (dollars in thousands):

| Classification: | Lease Receivable (Liability) June 30, 2022 | Current Portion | Lease Terms in Years | Interest Rate |
|--------------------------------------|---|--------------------|-------------------------|------------------|
| Governmental Activities | | | | |
| Lessee: | | | | |
| Right-to-Use Land | \$ (609) | \$ - | 2 - 5 | 3.30% |
| Right-to-Use Buildings | (384,822) | (40,803) | 1 - 27 | 1.25% - 3.94% |
| Right-to-Use Machinery and Equipment | (21,230) | (1,096) | 1 - 22 | 2.06% - 3.94% |
| Right-to-Use General Infrastructure | (829) | (41) | 3 - 10 | 3.30% |
| Total | \$ (407,490) | \$ (41,940) | | |
| Lessor: | | | | |
| Land | \$ 1,930 | \$ - | 2 - 25 | 3.00% |
| Buildings | 647 | - | 2 - 11 | 3.00% |
| Total | \$ 2,577 | \$ - | | |
| Business-type activities | | | | |
| Lessee: | | | | |
| Right-to-Use Buildings | \$ (2,808) | \$ (662) | 2 - 40 | 3.25% |
| Right-to-Use Machinery and Equipment | (77) | (35) | 1 - 5 | 5.59% |
| Total | \$ (2,885) | \$ (697) | | |
| Lessor: | | | | |
| Buildings | \$ 5,725 | \$ 600 | 1 - 25 | 3.00%-3.25% |
| Total | \$ 5,725 | \$ 600 | | |

Measurements of the lease receivable and liability for primary government excluded the following variable payment amounts: the increase or decrease in payments after the initial measurement of the receivable and liability that depend on an index or rate (such as the Consumer Price Index). For lease liability, measurement of the liability excluded any variable payments that are based on future performance or usage of the underlying assets.

Component Units - Lease activity for the year ended June 30, 2022, was as follows (dollars in thousands):

| Classification: | Lease Receivable (Liability) June 30, 2022 | Current Portion | Lease Terms in Years | Interest Rate |
|--|---|---------------------|-------------------------|------------------|
| University of North Carolina System | | | | |
| Lessee: | | | | |
| Right-to-Use Land | \$ (692) | \$ (90) | 4 - 29 | 1.335% - 5.25% |
| Right-to-Use Buildings | (510,358) | (103,890) | 1 - 50 | 0.316% - 5.25% |
| Right-to-Use Machinery and Equipment | (26,422) | (5,336) | 1 - 31 | 0.05% - 25.00% |
| Right-to-Use General Infrastructure | (5,941) | (623) | 3/4 - 29 | 1.00% |
| Total | \$ (543,413) | \$ (109,939) | | |
| Lessor: | | | | |
| Land | \$ 41,554 | \$ 926 | 3 - 93 | 1.50% - 8.50% |
| Buildings | 46,368 | 19,740 | 1 - 20 | 0.30% - 8.50% |
| Machinery and Equipment | 976 | 154 | 5 - 10 | 3.00% |
| General Infrastructure | 520 | 183 | 4 - 5 | 0.90% - 1.10% |
| Total | \$ 89,418 | \$ 21,003 | | |

NOTES TO THE FINANCIAL STATEMENTS

| Classification: | Lease Receivable (Liability) June 30, 2022 | Current Portion | Lease Terms in Years | Interest Rate |
|--------------------------------------|---|--------------------|-------------------------|------------------|
| Community Colleges | | | | |
| Lessee: | | | | |
| Right-to-Use Land | \$ (544) | \$ - | 3 - 40 | 4.00% - 5.75% |
| Right-to-Use Buildings | (60,378) | (3,446) | 1 - 40 | 1.67% - 4.15% |
| Right-to-Use Machinery and Equipment | (6,992) | (2,876) | 1 - 9 | 0.00% - 8.00% |
| Right-to-Use General Infrastructure | (4,520) | (863) | 3 | 3.25% |
| Total | <u>\$ (72,434)</u> | <u>\$ (7,185)</u> | | |
| Lessor: | | | | |
| Buildings | 896 | 329 | 3 | 3.25% |
| General Infrastructure | 1,201 | 176 | 16 | 3.25% |
| Total | <u>\$ 2,097</u> | <u>\$ 505</u> | | |

Measurements of the lease receivable and liability for component units excluded the following variable payment amounts: the increase or decrease in payments after the initial measurement of the receivable and liability that depend on an index or rate (such as the Consumer Price Index). For lease liability, measurement of the liability excluded any variable payments that are based on future performance or usage of the underlying assets.

Leasing arrangements between discretely presented component units of the University of North Carolina System are excluded from the above amounts as follows:

The University of North Carolina at Chapel Hill is in multiple leasing arrangements with UNC Healthcare to lease building space. UNC Chapel Hill recognized a lease receivable as the lessor and UNC Healthcare recognized a lease liability as the lessee, both of \$30.28 million, respectively. North Carolina State University (NCSU) is in a leasing arrangement with the Centennial Authority to lease building space. NCSU recognized a lease liability as the lessee and the Centennial Authority recognized a lease receivable as the lessor, both of \$28.36 million, respectively. Leasing arrangements of nongovernmental component units of the Community College System are excluded from the above amounts. At year-end, nongovernmental component unit foundations and similarly affiliated organizations had total leasing arrangements of \$90 thousand.

B. Principal and Interest Requirements for Lease Liability

Future principal and interest lease payments as of June 30, 2022, were as follows (dollars in thousands):

| Fiscal Year | Primary Government | | Component Units | |
|---------------|----------------------------|-----------------------------|--|-----------------------|
| | Governmental Activities | Business-type Activities | University of North Carolina System | Community Colleges |
| 2023 | \$ 54,413 | \$ 778 | \$ 119,394 | \$ 10,649 |
| 2024 | 47,877 | 783 | 110,481 | 10,042 |
| 2025 | 43,316 | 765 | 97,935 | 8,758 |
| 2026 | 38,340 | 208 | 84,116 | 7,991 |
| 2027 | 35,437 | 107 | 71,588 | 7,504 |
| 2028 - 2032 | 131,745 | 497 | 150,880 | 23,492 |
| 2033 - 2037 | 81,990 | - | 12,458 | 10,475 |
| 2038 - 2042 | 49,076 | - | 5,098 | 11,747 |
| 2043 - 2047 | 21,102 | - | 5,112 | 11,446 |
| 2048 - 2052 | 2,800 | - | 4,642 | 120 |
| 2053 - 2057 | - | - | 4,348 | - |
| 2058 - 2062 | - | - | 4,344 | - |
| 2063 - 2067 | - | - | 4,306 | - |
| 2068 - 2072 | - | - | 4,306 | - |
| 2073 - Beyond | - | - | 20,591 | - |
| Interest | <u>(98,606)</u> | <u>(253)</u> | <u>(97,549)</u> | <u>(29,790)</u> |
| | <u>\$ 407,490</u> | <u>\$ 2,885</u> | <u>\$ 602,050</u> | <u>\$ 72,434</u> |