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**NOTES TO THE FINANCIAL STATEMENTS**


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**NOTE 9: LEASE AND SUBSCRIPTION LIABILITY OBLIGATIONS**


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**A. Summary Information**

**Primary Government** – Lease activity for the year ended June 30, 2023, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2023	Current Portion	Lease Terms in Years	Interest Rate
<b>Governmental Activities</b>				
Lessee:				
Right-to-Use Land	\$ (429)	\$ (18)	2 - 26	3.25% - 3.30%
Right-to-Use Buildings	(369,146)	(35,107)	1 - 36	2.50% - 8.25%
Right-to-Use Machinery and Equipment	(2,419)	(1,007)	1 - 5	2.10% - 4.99%
Right-to-Use General Infrastructure	(714)	(91)	3 - 11	3.25%
<b>Total</b>	<b>\$ (372,708)</b>	<b>\$ (36,223)</b>		
Lessor:				
Right-to-Use Land	\$ 142	\$ 67	3 - 20	3.25% - 7.00%
Right-to-Use Buildings	5,266	619	1 - 10	3.30% - 7.00%
Right-to-Use General Infrastructure	1,660	64	15 - 26	3.25%
<b>Total</b>	<b>\$ 7,068</b>	<b>\$ 750</b>		
<b>Business-type Activities</b>				
Lessee:				
Right-to-Use Buildings	(6,240)	(1,385)	1 - 8	2.83% - 6.00%
Right-to-Use Machinery and Equipment	(472)	(177)	1 - 5	2.57% - 4.53%
<b>Total</b>	<b>\$ (6,712)</b>	<b>\$ (1,562)</b>		
Lessor:				
Right-to-Use Land	\$ 4,693	\$ 363	1 - 25	3.30% - 8.30%
Right-to-Use Buildings	406	262	1 - 10	2.76% - 4.00%
<b>Total</b>	<b>\$ 5,099</b>	<b>\$ 625</b>		

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.

Subscription liability activity for the year ended June 30, 2023, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2023	Current Portion	Subscription Terms in Years	Interest Rate
<b>Governmental Activities</b>				
Lessee:				
Subscription Asset	\$ (225,706)	\$ (75,458)	1 - 23	3.25% - 8.95%
<b>Total</b>	<b>\$ (225,706)</b>	<b>\$ (75,458)</b>		
<b>Business-type Activities</b>				
Lessee:				
Subscription Asset	\$ (2,641)	\$ (793)	1.4 - 10	4.85%
<b>Total</b>	<b>\$ (2,641)</b>	<b>\$ (793)</b>		

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The subscription liability for primary government excluded the amount of outflow of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability. The NC Department of Information Technology recognized outflow of resources of \$10.49 million that were excluded from the above table.

**Component Units** - Lease activity for the year ended June 30, 2023, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2023	Current Portion	Lease Terms in Years	Interest Rate
<b>University of North Carolina System</b>				
Lessee:				
Right-to-Use Land	\$ (2,028)	\$ (492)	2 - 99	1.34% - 7.50%
Right-to-Use Buildings	(480,113)	(98,455)	1 - 73	0.32% - 10.00%
Right-to-Use Machinery and Equipment	(21,795)	(5,770)	1 - 38	0.25% - 8.90%
Right-to-Use General Infrastructure	(5,465)	(777)	1 - 49	0.75% - 5.25%
<b>Total</b>	<b>\$ (509,401)</b>	<b>\$ (105,494)</b>		
Lessor:				
Right-to-Use Land	43,009	1,219	1 - 91	0.20% - 8.50%
Right-to-Use Buildings	69,039	19,941	1 - 99	0.19% - 9.50%
Right-to-Use Machinery and Equipment	2,954	210	2 - 20	2.69% - 3.18%
Right-to-Use General Infrastructure	310	179	1 - 3	0.90% - 1.10%
<b>Total</b>	<b>\$ 115,312</b>	<b>\$ 21,549</b>		
Classification:	Lease Receivable (Liability) June 30, 2023	Current Portion	Lease Terms in Years	Interest Rate
<b>Community Colleges</b>				
Lessee:				
Right-to-Use Land	\$ (2,467)	\$ (440)	1 - 38	0.29% - 8.00%
Right-to-Use Buildings	(47,452)	(2,831)	0.9 - 30	0.29% - 6.41%
Right-to-Use Machinery and Equipment	(5,945)	(2,396)	0.3 - 25	0.53% - 8.00%
Right-to-Use General Infrastructure	(3,761)	(765)	7.5 - 40	3.25% - 8.74%
<b>Total</b>	<b>\$ (59,625)</b>	<b>\$ (6,432)</b>		
Lessor:				
Right-to-Use Land	\$ 23	\$ 11	3	6.25%
Right-to-Use Buildings	773	344	1.5 - 5	3.00% - 15.00%
Right-to-Use General Infrastructure	2,282	318	3 - 19	1.24% - 4.25%
<b>Total</b>	<b>\$ 3,078</b>	<b>\$ 673</b>		

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 liability as the lessee of \$26.44 million. UNC Healthcare recognized a lease receivable as the lessor of \$26.80 million. UNC Chapel Hill's reported lease liability amount and UNC Healthcare's reported lease receivable amount differ by \$358 thousand due to each entity using different interest rates in their calculations. 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 of \$43.32 million. The Centennial Authority recognized a lease receivable as the lessor of \$44.19 million. NCSU's reported lease liability amount and the Centennial

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Authority's reported lease receivable amount differ by \$868 thousand due to each entity using different interest rates. Leasing arrangements of nongovernmental component units of the University of North Carolina System are excluded from the above amounts.

Subscription liability activity for the year ended June 30, 2023, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2023	Current Portion	Subscription Terms in Years	Interest Rate
<b>University of North Carolina System</b>				
Lessee:				
Subscription Asset	\$ (168,783)	\$ (69,650)	1 - 9	1.55% - 9.76%
<b>Total</b>	<u>\$ (168,783)</u>	<u>\$ (69,650)</u>		
<b>Community Colleges</b>				
Lessee:				
Subscription Asset	\$ (17,192)	\$ (7,482)	0.5 - 10	1.58% - 8.25%
<b>Total</b>	<u>\$ (17,192)</u>	<u>\$ (7,482)</u>		

**B. Principal and Interest Requirements for Lease Liability**

Future principal and interest lease payments as of June 30, 2023, were as follows (dollars in thousands):

Fiscal Year	Primary Government				Component Units			
	Governmental Activities		Business-type Activities		University of North Carolina System		Community College	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 36,223	\$ 12,111	\$ 1,562	\$ 207	\$ 105,494	\$ 17,523	\$ 6,493	\$ 2,085
2025	33,017	10,931	1,435	160	95,902	14,137	5,297	1,878
2026	28,056	9,885	886	117	84,703	11,027	4,445	1,712
2027	27,247	8,938	790	87	74,907	8,253	3,690	1,585
2028	32,226	10,096	658	66	60,468	5,973	2,957	1,474
2029 - 2033	103,475	27,238	1,381	68	103,927	12,969	10,568	6,044
2034 - 2038	58,079	13,701	-	-	8,852	6,671	8,098	4,490
2039 - 2043	36,683	5,490	-	-	593	6,387	9,299	2,773
2044 - 2048	16,947	1,241	-	-	608	6,299	8,778	766
2049 - 2053	755	-	-	-	182	6,157	-	-
2054 - 2058	-	-	-	-	59	6,038	-	-
2059 - 2063	-	-	-	-	65	5,834	-	-
2064 - 2068	-	-	-	-	2,212	5,529	-	-
2069 - 2073	-	-	-	-	3,826	5,092	-	-
2074 - Beyond	-	-	-	-	37,362	13,008	-	-
	<u>\$ 372,708</u>	<u>\$ 99,631</u>	<u>\$ 6,712</u>	<u>\$ 705</u>	<u>\$ 579,160</u>	<u>\$ 130,897</u>	<u>\$ 59,625</u>	<u>\$ 22,807</u>

**NOTES TO THE FINANCIAL STATEMENTS****C. Principal and Interest Requirements for Subscription Liability**

Future principal and interest subscription liability payments as of June 30, 2023, were as follows (dollars in thousands):

Fiscal Year	Primary Government				Component Units			
	Governmental Activities		Business-type Activities		University of North Carolina System		Community College	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 75,458	\$ 10,081	\$ 793	\$ 38	\$ 69,650	\$ 5,337	\$ 7,911	\$ 476
2025	61,334	7,125	766	37	50,413	3,018	4,490	265
2026	33,713	4,369	660	32	25,135	1,490	2,156	153
2027	21,232	2,784	422	20	14,596	634	1,518	78
2028	9,126	1,769	-	-	5,090	293	494	33
2029 - 2033	12,192	4,941	-	-	3,851	136	623	27
2034 - 2038	9,816	2,047	-	-	25	7	-	-
2039 - 2043	2,835	105	-	-	23	2	-	-
2044 - 2048	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-
2064 - 2068	-	-	-	-	-	-	-	-
2069 - 2073	-	-	-	-	-	-	-	-
2074 - Beyond	-	-	-	-	-	-	-	-
	<u>\$ 225,706</u>	<u>\$ 33,221</u>	<u>\$ 2,641</u>	<u>\$ 127</u>	<u>\$ 168,783</u>	<u>\$ 10,917</u>	<u>\$ 17,192</u>	<u>\$ 1,032</u>