
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: LEASE AND SUBSCRIPTION LIABILITY OBLIGATIONS

A. Summary Information

Primary Government – Lease activity for the year ended June 30, 2024, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2024	Current Portion	Lease Terms in Years	Interest Rate
Governmental Activities				
Lessee:				
Right-to-Use Land	\$ (572)	\$ (119)	1 - 26	3.25%
Right-to-Use Buildings	(391,449)	(40,316)	1 - 30	2.50% - 8.50%
Right-to-Use Machinery and Equipment	(2,129)	(890)	1 - 5	2.10% - 4.85%
Right-to-Use General Infrastructure	(678)	(105)	2 - 10	3.25%
Total	<u>\$ (394,828)</u>	<u>\$ (41,430)</u>		
Lessor:				
Right-to-Use Land	\$ 262	\$ 84	2 - 20	3.25% - 8.50%
Right-to-Use Buildings	4,655	470	1 - 12	3.25% - 7.00%
Right-to-Use General Infrastructure	1,565	68	15 - 26	3.25%
Total	<u>\$ 6,482</u>	<u>\$ 622</u>		
Business-type Activities				
Lessee:				
Right-to-Use Buildings	\$ (6,202)	\$ (1,499)	1 - 9	2.62% - 8.50%
Right-to-Use Machinery and Equipment	(484)	(149)	1 - 5	2.32% - 5.68%
Total	<u>\$ (6,686)</u>	<u>\$ (1,648)</u>		
Lessor:				
Right-to-Use Land	\$ 4,641	\$ 446	2 - 25	3.30% - 8.30%
Right-to-Use Buildings	155	83	1 - 10	3.00% - 8.50%
Total	<u>\$ 4,796</u>	<u>\$ 529</u>		

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, 2024, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2024	Current Portion	Subscription Terms in Years	Interest Rate
Governmental Activities				
Lessee:				
Subscription Asset	\$ (170,763)	\$ (71,194)	1 - 17	3.25% - 8.95%
Total	<u>\$ (170,763)</u>	<u>\$ (71,194)</u>		
Business-type Activities				
Lessee:				
Subscription Asset	\$ (2,176)	\$ (810)	1 - 10	4.85% - 7.82%
Total	<u>\$ (2,176)</u>	<u>\$ (810)</u>		

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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 N.C. Department of Information Technology recognized outflow of resources of \$9.34 million that was excluded from the above table.

Component Units - Lease activity for the year ended June 30, 2024, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2024	Current Portion	Lease Terms in Years	Interest Rate
University of North Carolina System				
Lessee:				
Right-to-Use Land	\$ (2,279)	\$ (553)	1 - 98	1.34% - 8.25%
Right-to-Use Buildings	(465,698)	(98,934)	1 - 72	0.39% - 10.05%
Right-to-Use Machinery and Equipment	(26,409)	(6,731)	1 - 14	0.50% - 25.00%
Right-to-Use General Infrastructure	(4,687)	(786)	1 - 49	0.75% - 5.25%
Total	\$ (499,073)	\$ (107,004)		
Lessor:				
Right-to-Use Land	44,797	989	1 - 90	0.20% - 8.50%
Right-to-Use Buildings	65,616	18,144	1 - 99	0.19% - 9.50%
Right-to-Use Machinery and Equipment	2,819	291	2 - 20	2.69% - 3.18%
Right-to-Use General Infrastructure	132	132	4 - 5	0.90% - 1.10%
Total	\$ 113,364	\$ 19,556		
Classification:	Lease Receivable (Liability) June 30, 2024	Current Portion	Lease Terms in Years	Interest Rate
Community Colleges				
Lessee:				
Right-to-Use Land	\$ (1,619)	\$ (45)	5 - 35	1.50% - 8.00%
Right-to-Use Buildings	(44,875)	(3,278)	1 - 30	0.29% - 8.29%
Right-to-Use Machinery and Equipment	(6,420)	(2,907)	1 - 25	0.29% - 8.50%
Right-to-Use General Infrastructure	(2,952)	(770)	13 - 40	3.25% - 3.74%
Total	\$ (55,866)	\$ (7,000)		
Lessor:				
Right-to-Use Land	\$ 83	\$ 34	3 - 5	4.00%
Right-to-Use Buildings	621	406	1 - 4	3.00% - 24.00%
Right-to-Use General Infrastructure	1,899	229	2 - 20	1.24% - 6.25%
Total	\$ 2,603	\$ 669		

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 \$18.66 million. UNC Healthcare recognized a lease receivable as the lessor of \$18.66 million. 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 \$44.44 million. NCSU's reported lease liability amount and the Centennial Authority's reported lease receivable amount differ by \$1.12 million 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.

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The University of North Carolina at Chapel Hill had commitments under leases for a ten year lease agreement for right-to-use building space beginning on August 8, 2024 with total payments over the period of \$6.65 million.

Subscription liability activity for the year ended June 30, 2024, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2024	Current Portion	Subscription Terms in Years	Interest Rate
University of North Carolina System				
Lessee:				
Subscription Asset	\$ (201,306)	\$ (80,255)	1 - 9	1.55% - 9.76%
Total	<u>\$ (201,306)</u>	<u>\$ (80,255)</u>		
Community Colleges				
Lessee:				
Subscription Asset	\$ (17,167)	\$ (7,386)	1 - 10	1.58% - 8.50%
Total	<u>\$ (17,167)</u>	<u>\$ (7,386)</u>		

B. Principal and Interest Requirements for Lease Liability

Future principal and interest lease payments as of June 30, 2024, 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
2025	\$ 41,430	\$ 15,560	\$ 1,648	\$ 246	\$ 107,004	\$ 8,861	\$ 7,000	\$ 2,034
2026	37,851	14,028	988	193	97,834	7,055	4,991	1,826
2027	36,249	12,440	1,006	153	86,999	5,423	3,924	1,648
2028	40,510	12,996	736	117	71,557	4,123	3,136	1,515
2029	39,654	10,396	679	88	55,564	3,206	2,919	1,399
2030 - 2034	92,829	31,957	1,629	140	90,485	9,470	9,123	5,848
2035 - 2039	55,482	16,198	-	-	6,456	6,518	8,468	4,201
2040 - 2044	36,978	5,934	-	-	695	6,432	9,835	2,393
2045 - 2049	13,244	1,097	-	-	657	6,305	6,470	404
2050 - 2054	601	129	-	-	153	6,163	-	-
2055 - 2059	-	-	-	-	169	6,018	-	-
2060 - 2064	-	-	-	-	85	5,785	-	-
2065 - 2069	-	-	-	-	2,886	5,450	-	-
2070 - 2074	-	-	-	-	4,047	4,989	-	-
2075 - Beyond	-	-	-	-	36,458	12,054	-	-
	<u>\$ 394,828</u>	<u>\$ 120,735</u>	<u>\$ 6,686</u>	<u>\$ 937</u>	<u>\$ 561,049</u>	<u>\$ 97,852</u>	<u>\$ 55,866</u>	<u>\$ 21,268</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, 2024, 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
2025	\$ 71,194	\$ 10,126	\$ 810	\$ 50	\$ 80,255	\$ 5,667	\$ 7,386	\$ 684
2026	46,286	6,266	742	39	63,609	4,296	4,802	410
2027	17,759	3,466	624	20	32,918	2,217	2,835	221
2028	5,913	2,060	-	-	16,319	882	1,526	90
2029	6,516	2,099	-	-	5,636	237	217	10
2030 - 2034	12,341	4,678	-	-	2,569	112	401	19
2035 - 2039	10,237	1,543	-	-	-	-	-	-
2040 - 2044	517	6	-	-	-	-	-	-
	<u>\$ 170,763</u>	<u>\$ 30,244</u>	<u>\$ 2,176</u>	<u>\$ 109</u>	<u>\$ 201,306</u>	<u>\$ 13,411</u>	<u>\$ 17,167</u>	<u>\$ 1,434</u>