

CAPITAL FACILITIES FOUNDATION, INC.

(A Component Unit of The University
of North Carolina at Greensboro)

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2022 AND 2021



CAPITAL FACILITIES FOUNDATION, INC.

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Independent Auditor's Report

To the Board of Directors
Capital Facilities Foundation, Inc.
Greensboro, North Carolina

Opinion

We have audited the accompanying financial statements of Capital Facilities Foundation, Inc., which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the years 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 respective financial position of Capital Facilities Foundation, Inc. as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Capital Facilities Foundation, Inc. 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; this includes 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 Capital Facilities Foundation, Inc.'s ability to continue as a going concern within twelve months beyond the financial statement date, including any currently known information that may arise substantial doubt shortly thereafter.

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 generally accepted auditing standards will always detect a material misstatement when it exists. 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.

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

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 generally accepted auditing standards 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 Capital Facilities Foundation, Inc.'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 Capital Facilities Foundation, Inc.'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.

Other Matters

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 financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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
October 11, 2022

CAPITAL FACILITIES FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Introduction

The Capital Facilities Foundation, Inc. (the “Foundation”) provides the following management discussion and analysis (MD&A) as an overview of the financial activities for the fiscal year ended June 30, 2022. This discussion, the following financial statements, and the related footnote disclosures have been prepared by management and comprise the Foundation’s complete financial report. The financial statements, footnotes and this discussion are the responsibility of management.

The purpose of the MD&A is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. However, this discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes.

Purpose of The Capital Facilities Foundation, Inc.

The purpose of the Foundation is to enhance The University of North Carolina at Greensboro’s (UNCG) educational mission, including, without limitation, assisting with the acquisition, development, financing, construction, management and operation of capital assets for UNCG.

In 2009, the Foundation Board and UNCG agreed to consider opportunities for the Foundation to facilitate further campus development both within and beyond its current borders by acquiring strategic land identified by UNCG. The ability of the Foundation to act quickly on an acquisition greatly facilitates UNCG’s efforts in expanding the campus by capitalizing on opportunities. It is expected that land acquisitions made by the Foundation will follow one of two paths: 1) The Foundation will go through the process of selling the property to the State/UNCG, reimbursing the Foundation for the purchase and associated costs as authorized by the State Property Office; or 2) The Foundation will partner with developers or contract to develop the property for the benefit of and master-lease to UNCG.

Over the past ten years, the Foundation has completed many projects, including the addition of Spartan Village Phase I and Phase II. In September of 2016, the Foundation acquired three properties to renovate and, subsequently, to accommodate the programmatic needs of the Theatre Department. The total budget for the project is \$4.4 million. This project serves as academic space for the Theatre Department and house functions such as the scene shop, paint shop, prop storage, costume storage, lighting design and acting studio. In addition, the Foundation identified property owned by UNCG to renovate and, subsequently, to accommodate the programmatic needs of identified administrative units. The total budget for the project is \$4.9 million. The renovation of these facilities was required to support space needs related to moving university staff in the existing McIver Building to allow for its demolition and construction of the new Nursing and Instructional Building. These projects were completed in 2018. During 2019, a property was acquired and renovated on Gate City Boulevard for the Housing Department.

CAPITAL FACILITIES FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

The Foundation expects to facilitate further campus expansion by acquiring strategic land, capitalizing on opportunities in pursuit of the strategic plan and the Master Plan. As of this fiscal year, the Foundation has begun to assist in the activities of Millennial Campus. Millennial Campus is the state's designation for geographic areas where anchor system institutions join with education, industry, government, military and other partners to discover, invent and produce new innovations. The Millennial Campus at The University of North Carolina at Greensboro was established to support innovative public-private partnerships, collaborative research projects, and enhanced University-community interaction in ways that are physically, economically, and culturally interwoven with the surrounding community. It was approved by the UNCG Board of Trustees and UNC System Board of Governors. The Foundation also endorsed a sub-ground lease of land from the UNCG Endowment Board.

The action to sub-ground lease the land identified as property located at 842 W. Gate City Boulevard for the development of a new arts and culture focused building to be constructed by the Foundation. The scope of this project is to develop a new multi-purpose facility that will house a groundbreaking, collaborative, and experimental space focusing on the arts, culture, and community engagement. The proposed site sits at an important gateway to the campus and serves as a connection point to the Millennial District and surrounding municipality. As of June, the project has gone through a visioning and programming phase.

Future projects for the Foundation may include mixed-use multi-tenant buildings to be developed and owned by the Foundation, which will lease such facilities to UNCG and to partner users. The Foundation may also be responsible for securing commercial financing and for management or operations of private-use or mixed-use facilities. In addition, facilities may be developed and owned by other partners, via ground leases, at fair market value.

Using the Financial Report

The Foundation's financial report includes three financial statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. The Foundation's financial statements are blended in the UNCG financial report, and therefore, are prepared in accordance with the Governmental Accounting Standards Board (GASB) principles.

Statements of Net Position

The Statement of Net Position is a point-of-time financial statement that presents the assets, liabilities, and net position of the Foundation. The purpose of this financial statement is to present to the readers of the Foundation's Financial Report a fiscal snapshot as of the end of the fiscal year (i.e., June 30th). The Statement of Net Position presents both the current and noncurrent portions of assets and liabilities.

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the Foundation. The Statement of Net Position also provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the Foundation.

CAPITAL FACILITIES FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Net position includes unrestricted net assets and those invested in capital assets, net of related debt. These categories of net assets are discussed further in the footnotes to the financial statements.

Assets	2022	2021	2020
Current assets	\$ 4,285,745	\$ 4,202,390	\$ 3,808,056
Capital assets, net	9,610,146	9,900,510	10,190,875
Noncurrent assets	8,067,369	8,270,470	-
Total assets	<u>\$ 21,963,260</u>	<u>\$ 22,373,370</u>	<u>\$ 13,998,931</u>
Liabilities and Net Position			
Current liabilities	\$ 331,300	\$ 290,566	\$ 286,253
Deferred inflows	8,199,955	8,478,579	-
Long-term debt, net of current maturities	8,610,908	8,743,034	8,869,266
Total liabilities	<u>17,142,163</u>	<u>17,512,179</u>	<u>9,155,519</u>
Net position	<u>4,821,097</u>	<u>4,861,191</u>	<u>4,843,412</u>
Total liabilities and net position	<u>\$ 21,963,260</u>	<u>\$ 22,373,370</u>	<u>\$ 13,998,931</u>

The total assets of the Foundation as of June 30, 2022, 2021, and 2020 were approximately \$22 million, \$22 million, and \$14 million, respectively, with most of the assets being cash, receivables, and capital assets. Additional information about the Foundation's capital assets can be found in Note 4 in the Notes to Financial Statements.

Statements of Revenues, Expenses and Changes in Net Position

Changes in total net assets as 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 the statement is to present the revenues earned by the Foundation, both operating and nonoperating, and the expenses incurred by the Foundation, operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by the Foundation.

Nonoperating revenues are revenues earned for which goods and services are not provided.

	2022	2021	2020
Operating gain (loss)	\$ (56,351)	\$ 1,229	\$ (130,352)
Nonoperating revenues	16,257	16,550	406,924
Increase (decrease) in net assets	(40,094)	17,779	276,572
Beginning, net position	4,861,191	4,843,412	4,566,840
Ending, net position	<u>\$ 4,821,097</u>	<u>\$ 4,861,191</u>	<u>\$ 4,843,412</u>

The Statements of Revenues, Expenses, and Changes in Net Position reflect a decrease in net position for the year ended 2022 due to increased operating expenses, and an increase in net position for the year ended 2021 due to transfers from the University. The decrease in net position in 2020, is due primarily to operating expenses and interest expense.

CAPITAL FACILITIES FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Statements of Cash Flows

The final statement presented by the Foundation is the Statement of Cash Flows. This statement is divided into four parts and presents detailed information about the cash activity of the Foundation during the year. The first part deals with operating cash flows and reflects the net cash provided by (used in) the operating activities of the Foundation. The second section reflects cash flows from investing activities. This section reflects the interest income earned on invested cash. The third section reflects the cash flows from capital and related financing activities and reflects cash received from financing activities and amounts spent for capital expenditures. The fourth section reconciles the net cash provided by (used in) operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net cash provided by (used in) operating activities	\$ (8,298)	\$ (24,040)	\$ 160,012
Net cash provided by investing activities	16,257	16,550	406,924
Net cash provided by (used in) capital and related financing activities	<u>63,066</u>	<u>186,271</u>	<u>(189,969)</u>
Net increase in cash	71,025	178,781	376,967
Beginning cash	<u>3,846,192</u>	<u>3,667,411</u>	<u>3,290,444</u>
Ending cash	<u>\$ 3,917,217</u>	<u>\$ 3,846,192</u>	<u>\$ 3,667,411</u>

The major source of funds included in operating activities is rental income from leases with UNCG. The major uses of funds included in operating activities are payments to vendors/suppliers and payments for interest expense to lenders. The major sources of funds included in capital and related financing activities are borrowings under long-term debt agreements. The major uses of funds included in capital and related financing activities are the acquisition and purchase of capital assets and payments on long-term debt.

Economic Outlook

The Foundation expects to facilitate further campus expansion by acquiring strategic land identified by the University, capitalizing on opportunities in pursuit of the UNCG Strategic Housing Plan and the UNCG Campus Master Plan. The Foundation will go through the process of being reimbursed for purchase amounts and associated costs or the Foundation will develop the property for the benefit of and master-lease to UNCG.

We believe that with the support and strong ties to UNCG, the Foundation's overall financial condition is able to weather most economic uncertainties.

CAPITAL FACILITIES FOUNDATION, INC.
Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	2021 (As Restated)
<u>Assets</u>		
Current Assets:		
Cash (Note 2)	\$ 3,917,217	\$ 3,846,192
Lease receivable - current portion	265,572	250,402
Lease receivable - interest	51,512	52,879
Other receivables	51,444	52,917
Total current assets	<u>4,285,745</u>	<u>4,202,390</u>
Noncurrent Assets:		
Lease receivable - noncurrent portion	8,067,369	8,270,470
Capital assets, nondepreciable (Notes 3 and 4)	957,351	957,351
Capital assets, net of accumulated depreciation (Notes 3 and 4)	8,652,795	8,943,159
Total noncurrent assets	<u>17,677,515</u>	<u>18,170,980</u>
Total assets	<u>\$ 21,963,260</u>	<u>\$ 22,373,370</u>
<u>Liabilities and Net Position</u>		
Current Liabilities:		
Accounts payable	\$ 36,313	\$ -
Accrued expenses	51,444	52,917
Current maturities on long-term debt (Note 4)	243,543	237,649
Total current liabilities	<u>331,300</u>	<u>290,566</u>
Deferred inflows	8,199,955	8,478,579
Long-term debt, net of current maturities (Note 4)	8,053,823	8,297,366
Funds held for others	557,085	445,668
Total liabilities	<u>17,142,163</u>	<u>17,512,179</u>
Net Position:		
Investment in capital assets, net of related debt	1,312,780	1,365,495
Unrestricted	3,508,317	3,495,696
Total net position	<u>4,821,097</u>	<u>4,861,191</u>
Total liabilities and net position	<u>\$ 21,963,260</u>	<u>\$ 22,373,370</u>

CAPITAL FACILITIES FOUNDATION, INC.
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021 (As Restated)
Revenue:		
Rental income	\$ 350,951	\$ 351,127
Rental income - interest	212,683	218,353
Operating income	<u>563,634</u>	<u>569,480</u>
Expenses:		
Operating expenses, general and administrative expenses	117,952	60,467
Depreciation expense	290,364	290,365
Interest expense	211,669	217,419
Operating expenses	<u>619,985</u>	<u>568,251</u>
Operating gain (loss)	(56,351)	1,229
Nonoperating revenues	<u>16,257</u>	<u>16,550</u>
Increase (decrease) in net assets	(40,094)	17,779
Net Position:		
Beginning	<u>4,861,191</u>	<u>4,843,412</u>
Ending	<u><u>\$ 4,821,097</u></u>	<u><u>\$ 4,861,191</u></u>

CAPITAL FACILITIES FOUNDATION, INC.
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	2021 (As Restated)
Cash flows from operating activities:		
Other income	\$ 285,010	\$ 167,556
Interest payments, net of amounts capitalized	(210,196)	(215,981)
(Payments to) refund from vendors	<u>(83,112)</u>	<u>24,385</u>
Net cash used in operating activities	<u>(8,298)</u>	<u>(24,040)</u>
Cash flows from investing activities:		
Interest income	<u>16,257</u>	<u>16,550</u>
Net cash provided by investing activities	<u>16,257</u>	<u>16,550</u>
Cash flows from capital and related financing activities:		
Payments received on leased assets	189,298	306,752
Payments on long-term debt	(237,649)	(231,898)
Increase in funds held for others	<u>111,417</u>	<u>111,417</u>
Net cash provided by capital and related financing activities	<u>63,066</u>	<u>186,271</u>
Net increase in cash	71,025	178,781
Cash, Beginning	<u>3,846,192</u>	<u>3,667,411</u>
Cash, Ending	<u>\$ 3,917,217</u>	<u>\$ 3,846,192</u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ (56,351)	\$ 1,229
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation expense	290,364	290,365
Decrease (increase) in receivables	1,473	(8,792,775)
Decrease in accounts payable	36,313	-
Increase (decrease) in deferred inflow	(278,624)	8,478,579
Decrease in accrued expenses	<u>(1,473)</u>	<u>(1,438)</u>
Net cash used in operating activities	<u>\$ (8,298)</u>	<u>\$ (24,040)</u>

CAPITAL FACILITIES FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Capital Facilities Foundation, Inc. (the "Foundation") exists to enhance The University of North Carolina at Greensboro's (the "University" or "UNCG") educational mission, including assisting with the acquisition, development, financing, construction, management, and operation of capital assets for the University. Although legally separate from the University, the Foundation is reported as if it were part of the University because its sole purpose is to benefit the University. The Foundation's financial statements are blended with those of the University.

Significant accounting policies relative to the Foundation are:

Financial Statements

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).

The full scope of the Foundation's activities is considered to be a single business-type activity and, accordingly, is reported within the financial statements of the University.

Basis of Accounting

The financial statements of the Foundation have been prepared using the economic resources 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 when the related cash flows take place.

Adoption of New Accounting Standard

The Governmental Accounting Standards Board ("GASB") issued GASB 87 Lease Accounting. The standard requires disclosures of various items for lessees and lessors to better present leases as financings of the right to use an underlying asset. The Foundation adopted the new standard effective July 1, 2021, the first day of the Foundation's fiscal year using the full retrospective approach.

The retrospective approach adoption resulted in an increase in beginning net position of \$95,172. The adjustment primarily relates to the addition of the lease receivables and the deferred inflow. In the fiscal year ended June 30, 2021, a lease receivable of \$8,520,872, an interest receivable of \$52,879, and a deferred inflow of \$8,478,579 were all added. Rental Income was increased by \$95,172 for fiscal year ended June 30, 2021. The cash flow statement for the year ended June 30, 2021 was impacted as follows- Other Income decreased \$306,752 and Payments on leased assets increased \$306,752.

Lease Receivable

The lease receivable is measured at the present value of lease payments expected to be received during the lease term.

Deferred Inflow

The deferred inflow of resources is recorded at initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis.

CAPITAL FACILITIES FOUNDATION, INC.**Notes to Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Buildings are depreciated over 50 years. Other structures are depreciated over 25 years. Equipment is depreciated over 10 years if the individual piece is valued over \$5,000.

Net Assets

The Foundation's net assets are classified as invested in capital assets, net of related debt and unrestricted.

NOTE 2 - CASH

The Foundation holds checking and money market accounts at commercial banks, the balances of which may, at times, be in excess of federally insured limits. The Foundation has not suffered any financial loss on these deposits.

Cash includes bank accounts totaling \$3,917,217 and \$3,846,192 at June 30, 2022 and 2021, respectively, for which the bank balances were \$3,919,417 and \$3,847,039, respectively.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2022, are as follows:

	2022			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Real estate	\$ 882,251	\$ -	\$ -	\$ 882,251
Construction in progress	75,100		-	75,100
	<u>957,351</u>	<u>-</u>	<u>-</u>	<u>957,351</u>
Capital assets, depreciable:				
Building	5,470,196	-	-	5,470,196
Other structures	4,524,003	-	-	4,524,003
	<u>9,994,199</u>	<u>-</u>	<u>-</u>	<u>9,994,199</u>
Accumulated depreciation:				
Building	(420,613)	(109,404)	-	(530,017)
Other structures	(630,427)	(180,960)	-	(811,387)
	<u>(1,051,040)</u>	<u>(290,364)</u>	<u>-</u>	<u>(1,341,404)</u>
Capital assets depreciated, net	<u>8,943,159</u>			<u>8,652,795</u>
Total capital assets, net	<u>\$ 9,900,510</u>			<u>\$ 9,610,146</u>

CAPITAL FACILITIES FOUNDATION, INC.
Notes to Financial Statements

NOTE 3 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2021, are as follows:

	2021			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Real estate	\$ 882,251	\$ -	\$ -	\$ 882,251
Construction in progress	75,100	-	-	75,100
	<u>957,351</u>	<u>-</u>	<u>-</u>	<u>957,351</u>
Capital assets, depreciable:				
Building	5,470,196	-	-	5,470,196
Other structures	4,524,003	-	-	4,524,003
	<u>9,994,199</u>	<u>-</u>	<u>-</u>	<u>9,994,199</u>
Accumulated depreciation:				
Building	(311,208)	(109,405)	-	(420,613)
Other structures	(449,467)	(180,960)	-	(630,427)
	<u>(760,675)</u>	<u>(290,365)</u>	<u>-</u>	<u>(1,051,040)</u>
Capital assets depreciated, net	<u>9,233,524</u>			<u>8,943,159</u>
Total capital assets, net	<u>\$ 10,190,875</u>			<u>\$ 9,900,510</u>

NOTE 4 - LONG-TERM DEBT

A summary of changes in the long-term debt for the years ended June 30, 2022 and 2021, are as follows:

	2022			
	Beginning Balance	Additions	Reductions	Ending Balance
Improvement advance	\$ 8,535,015	\$ -	\$ (237,649)	\$ 8,297,366
Total long-term debt	<u>\$ 8,535,015</u>	<u>\$ -</u>	<u>\$ (237,649)</u>	<u>\$ 8,297,366</u>
	2021			
	Beginning Balance	Additions	Reductions	Ending Balance
Improvement advance	\$ 8,766,913	\$ -	\$ (231,898)	\$ 8,535,015
Total long-term debt	<u>\$ 8,766,913</u>	<u>\$ -</u>	<u>\$ (231,898)</u>	<u>\$ 8,535,015</u>

CAPITAL FACILITIES FOUNDATION, INC.**Notes to Financial Statements**

NOTE 4 - LONG-TERM DEBT (Continued)

Improvement Advance

During May 2018, the Foundation entered into agreements with the University and a commercial bank that advanced construction funds. The Foundation is using the construction advance to renovate facilities for use by The University of North Carolina at Greensboro for the Theater Department and for administrative support. Under master lease agreements, the University is to pay the Foundation rentals for 30 years at a cost not to exceed \$740,000 per year for the use of the facilities. Under the lease, the University was authorized, at any time during the lease, to purchase the Project for the amount required to discharge the obligations of the Foundation with respect to the financing of the Project. The assignment of rents and the constructed facility serve as security for the Construction Advance. The construction loan had \$8,297,366 outstanding at June 30, 2022. This advance requires bi-annual principal and interest payments due by the first of October and April. The interest payments will be paid at a fixed interest rate of 2.48% for the first 10 years.

The annual requirements to pay principal and interest on long-term debt at June 30, 2022, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 243,543	\$ 205,775
2024	249,583	199,735
2025	255,722	193,545
2026	262,116	187,202
2027	7,286,402	180,702
	<u>\$ 8,297,366</u>	<u>\$ 966,959</u>

NOTE 5 - LEASES

The Foundation has three lease agreements with the University. The lease for property at West Gate City Boulevard expires in January 2025, with monthly payments of \$2,083. The two leases related to the Theater expire in May 2047 with annual payments of \$211,835 for the Theater, and \$237,483 for the administrative lease for the Theater.

The future receipts for all of the leases for the year ended June 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2023	\$ 265,572	\$ 208,736	\$ 474,308
2024	272,234	202,075	474,309
2025	268,607	195,289	463,896
2026	260,524	188,794	449,318
2027	267,059	182,259	449,318
2028-2032	1,439,201	807,389	2,246,590
2033-2037	1,628,989	617,600	2,246,589
2038-2042	1,843,806	402,784	2,246,590
2043-2047	2,086,950	159,639	2,246,589
	<u>\$ 8,332,942</u>	<u>\$ 2,964,565</u>	<u>\$ 11,297,507</u>

CAPITAL FACILITIES FOUNDATION, INC.

Notes to Financial Statements

NOTE 6 - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to: torts; theft of, damage to, and the destruction of assets; errors and omissions; and natural disasters. These exposures to loss are handled through the purchase of commercial insurance and self retention of certain risks.

Additional details on the University's risk management programs are disclosed in the financial report of UNCG.

NOTE 7 - INCOME TAXES

The Foundation is exempt from federal and state income taxes, under the provisions of the Internal Revenue Code Section 501(c)(3), except for income generated from unrelated business activities. The Foundation has not identified any unrelated business income in current or past years.

CAPITAL FACILITIES FOUNDATION, INC.

Time and Costs for the Audit

Years Ended June 30, 2022 and 2021

The Capital Facilities Foundation, Inc.'s audit was conducted in approximately 70 hours at a total cost of \$10,750 and \$11,200, for the years ended June 30, 2022 and 2021, respectively.