

University of North Carolina Wilmington

Wilmington, NC



Financial Statement Audit Report

For the Year Ended June 30, 2025

State Auditor
Dave Boliek

A Constitutional Office of the
State of North Carolina





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Board of Trustees, University of North Carolina Wilmington
Dr. Aswani K. Volety, Chancellor

Situated in the coastal region, UNC Wilmington is an important piece of North Carolina's higher education landscape. With reported revenues of \$610 million and expenses of \$516 million, maintaining proper financial control is valuable to the University's daily operations.

Through financial audits of universities and colleges, the North Carolina Office of the State Auditor assesses whether the records prepared by schools are materially correct. Our audit of UNC Wilmington's financial records shows no material errors for the year ended June 30, 2025. The audited statements make for a clean opinion and can be relied upon by management.

Having a clean audit shows UNC Wilmington is committed to responsible financial management. It also builds trust and support between the public, the General Assembly, and the University. UNC Wilmington staff were very helpful as we examined the University's finances, and we're thankful for their assistance and cooperation.

Respectfully submitted,

Dave Boliek
State Auditor



REPORT SUMMARY

University of North Carolina Wilmington Financial Statement Audit

The Office of the State Auditor (OSA) is required¹ to perform annual financial statement audits at each of the constituent institutions within the University of North Carolina System.

Audit Results

- The University's financial statements for fiscal year ended June 30, 2025 are **accurate** and **reliable**.
- Our audit found **no material weaknesses in internal controls or instances of reportable noncompliance**.

Quick Highlights

 **Revenues:
\$610 Million**

Expenses:
\$516 Million  

Audit Purpose & Importance

Provide an opinion on whether the University's financial statements are materially correct and, if necessary, report any internal control weaknesses or noncompliance with laws and regulations.

The annual financial statement audit serves a vital role in promoting transparency, accountability, and trust in the University's financial operations.

While a formal process, the audit's impact extends to many members of the public, including:

- Students and families depend on financial stability to support access to quality education, scholarships, and services.
- Citizens and public officials expect responsible reporting of public funds and grants.
- Donors and alumni rely on accurate financial reporting to ensure contributions are used as intended.
- Faculty, staff, and administrators count on financial health to sustain programs, research, and long-term planning.
- Accrediting bodies and regulators use audited financial statements to assess compliance and viability.

Reports

The University's financial statement audit reports are available on our website at this [link](#).

Please review the report to fully understand the University's overall financial health and our reporting responsibilities.

A "clean" audit opinion supports public trust and demonstrates the University's commitment to responsible financial stewardship, assuring stakeholders that resources are being managed to fulfill the institution's mission.

¹ North Carolina General Statute 116-30.8



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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report

Board of Trustees
University of North Carolina Wilmington
Wilmington, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the University of North Carolina Wilmington (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the University of North Carolina Wilmington, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University of North Carolina Wilmington 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 opinions.

Responsibilities of Management for the Financial Statements

The University's management is responsible for the preparation and fair presentation of the 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 the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise 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 opinions. 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 GAAS and GAGAS 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. Misstatements 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 GAAS and GAGAS, 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 the University'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 the University'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 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Dave Boliek
State Auditor

Raleigh, North Carolina

October 30, 2025



Management's Discussion and Analysis

Financial Analysis

The University of North Carolina Wilmington (University or UNCW) provides the following Management's Discussion and Analysis (MD&A) as an overview of the proprietary fund financial activities for the fiscal year ended June 30, 2025. The MD&A identifies significant transactions that have fiscal impact and highlights favorable and unfavorable trends. Comparative data for the previous year is presented to provide a better understanding of the financial information.

Using the Financial Statements

The University's financial report includes three proprietary fund financial statements that depict the financial activity and fiscal condition of the University for the current year and two fiduciary fund financial statements. These financial statements include: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. The proprietary fund financial statements account for the University's primary activities. The fiduciary fund financial statements account for the University's fiduciary activities which are considered custodial funds. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and using the accrual basis of accounting. This method of accounting requires that revenues and assets be recognized when the service is provided. Expenses and liabilities are recognized when others provide services, regardless of when cash is exchanged.

The Statement of Net Position includes all the University's proprietary fund assets, deferred outflows and inflows, liabilities, and net position. The University's proprietary fund net position (the monetary difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources) is one indicator of the University's financial viability. Over time, changes in the proprietary fund net position provide information on the improvement or erosion of the University's financial condition when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's proprietary fund revenues earned and expenses incurred during the fiscal year. Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 classifies state appropriations and contributions as nonoperating revenues. With state appropriations and contributions being classified as nonoperating revenues, most public institutions will report an operating deficit.

A key factor to consider when evaluating the financial viability of the University is the ability to meet financial obligations as they mature. The Statement of Cash Flows presents proprietary fund information that allows the reader to evaluate the University's ability to meet its financial obligations on a current basis.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position present the University's fiduciary fund assets, liabilities, net position, additions, and deductions related to resources held by the University in a custodial capacity for the four related parties described in Note 18.

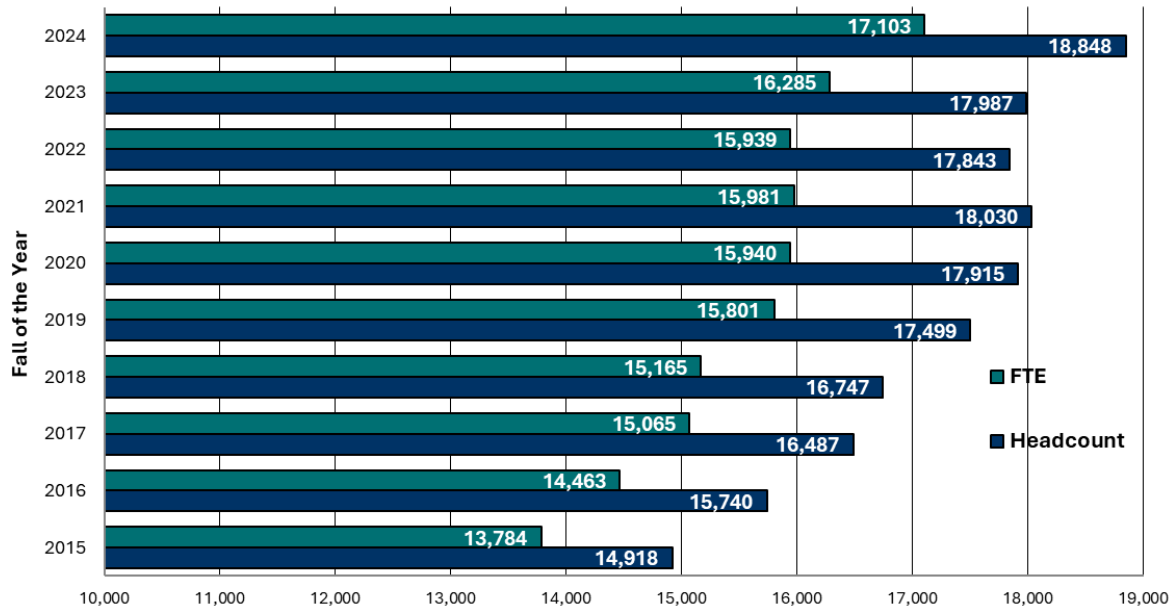
Financial Highlights

As of July 1, 2025, a change in the accounting principle resulting from *GASB Statement No. 101, Compensated Absences*, affected the University's reporting treatment of compensated absences. The change in accounting policy for compensated absences can be seen in Note 1, significant accounting policies. This change in accounting policy required a beginning balance restatement for the fiscal year 2025. Ending balances for fiscal year 2024 presented inside the Management's Discussion and Analysis section do not show the accounting impact of these restated balances. Within the Notes to the Financial Statements, see Note 9 for the detailed breakdown of long-term liabilities and Note 21 for information on the restatement.

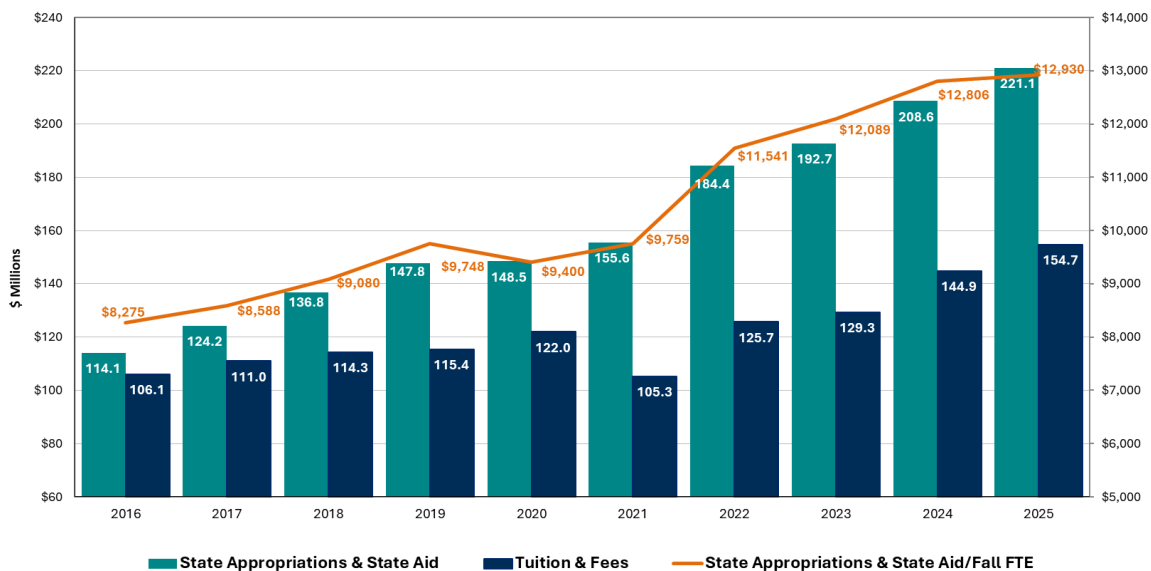
State appropriations increased \$12.6 million when compared to fiscal year 2024 due to the increase of \$1.0 million in recurring enrollment growth allocation, the increase of \$9.2 million in other recurring budget adjustments, and the net increase of \$2.4 million in non-recurring budget adjustments. The increase in other recurring budget adjustments includes \$5.4 million in legislative increases, \$1.2 million in health plan allocation, \$2.1 million in building reserves, and \$0.5 million in various other recurring budget adjustments.

In the fiscal year 2025, UNCW completed multiple construction projects, totaling \$79.0 million. The completed projects consisted of \$58.9 million for the Randall Library Renovation and Expansion project, \$10.0 million for the Alderman and King Hall Renovation projects, \$4.5 million for the Brooks Baseball Field Renovation project, and \$5.6 million for various smaller projects.

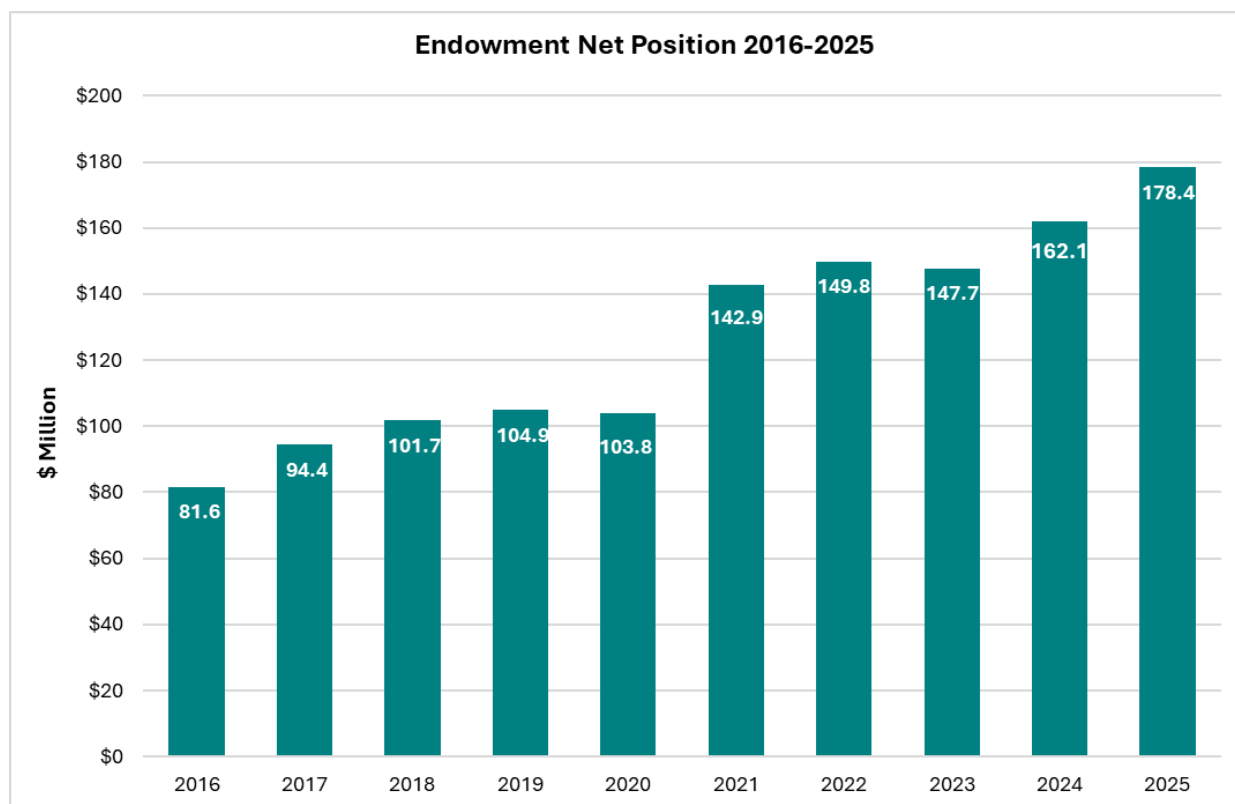
The University operates with a fixed tuition program for undergraduate resident students. The program is in its eighth year and is forecasted to continue for ten years offering no increase in tuition to undergraduate resident students who are continuously enrolled for four years. For fiscal year 2025, the University increased the annual resident graduate tuition \$299, non-resident undergraduate tuition \$1,207, non-resident graduate tuition \$1,209, and increased mandatory fees \$38.06.

Student Headcount and FTE Fall 2015-2024


UNCW's fall 2024 headcount of 18,848 increased by 4.8% relative to the fall of 2023, which was driven by an increase in undergraduate enrollment of 760 students and an increase in graduate enrollment of 101 students.

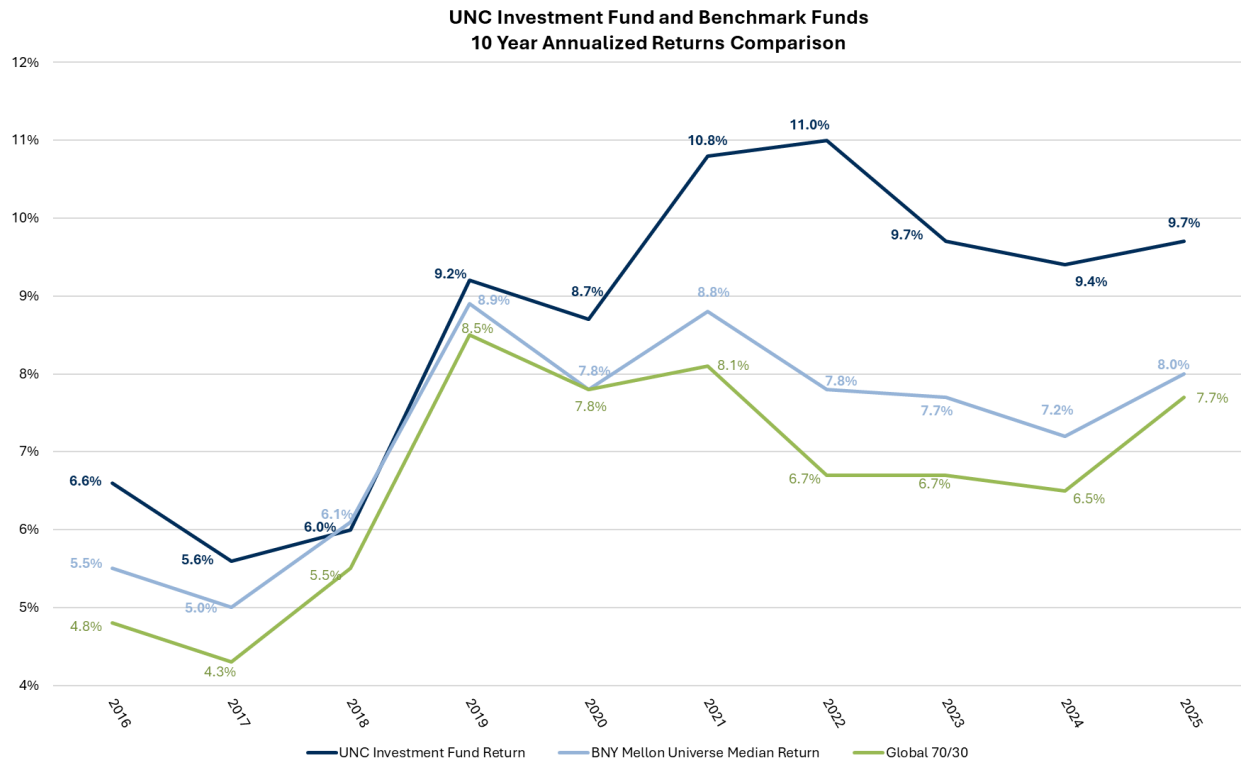
State Appropriations & State Aid, Tuition & Fees, and State Appropriations & State Aid per Fall FTE 2016-2025


A \$12.6 million net increase in state appropriations led to state appropriations and state aid per fall student full-time-equivalent (FTE) to increase to \$12,930 in fiscal year 2025. Student tuition and fees revenues increased 6.7% as the result of an increase in enrollment and changes in tuition and fees.

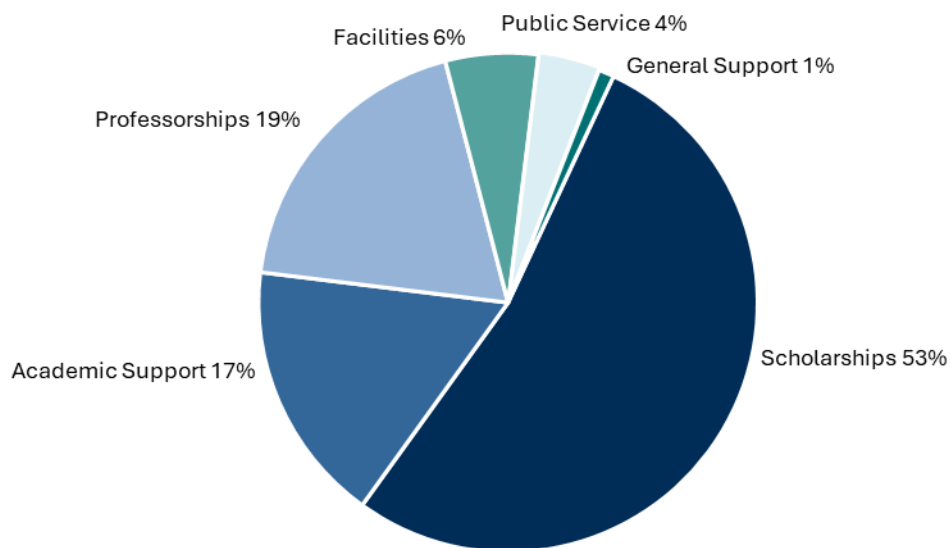


The net position of the endowments increased from \$162.1 million to \$178.4 million over the twelve months ending June 30, 2025. New contributions/additions of \$5.7 million were made to the endowment, and the UNC Investment Fund (UNCIF) earned \$18.2 million in investment earnings during fiscal year 2025. Accumulated and reinvested long-term investment reserves funded the annual withdrawals for spending distributions and administrative fees in the amount of \$7.6 million. In fiscal year 2025, the UNCIF returned 11.6%, slightly lower than fiscal year 2024's 12.6% annual return.

The UNCIF's ten-year annualized return to June 30, 2025, of 9.7% easily exceeds its Global 70/30 benchmark and its BNY Endowment and Foundation Funds peer benchmark of 7.7% and 8.0%, respectively. Over the last ten years, each of the UNCIF's asset classes has positively contributed to performance. Each asset class has also exceeded its benchmark apart from long equity which trailed its benchmark, returning 8.1% versus MSCI ACWI's 10.0% ten-year annualized return. The Fund's strongest performance was generated by the private equity asset class, with a ten-year annualized return of 18.1%. With a primary focus on long-term time horizons to support spending in perpetuity, it is noteworthy that the UNCIF's ten-year annualized returns for the past ten years have exceeded that of the Global 70/30 Portfolio and the median returns of the BNY Mellon Endowment and Foundation Funds universe.



2025 Donor Funded Endowment Income Distribution



Consistent with prior years, the Endowment primarily supported student scholarships (53%), professorships (19%), and academics (17%).

Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), deferred inflows, and net position (total assets plus deferred outflows minus total liabilities and deferred inflows) of the University's proprietary funds. This statement provides a fiscal snapshot of the University's financial position as of June 30, 2025. This statement includes information on assets available for continuing operations and amounts due to vendors, investors, and lending institutions.

Condensed Statement of Net Position Proprietary Fund June 30, as Indicated

	2025	2024	Change
Assets			
Current Assets, Net	\$ 304,779,096	\$ 217,185,784	\$ 87,593,312
Capital Assets, Net	867,463,576	859,137,491	8,326,085
Other Noncurrent Assets	240,345,647	240,878,639	(532,992)
Total Assets	1,412,588,319	1,317,201,914	95,386,405
Total Deferred Outflows of Resources	143,776,731	114,754,063	29,022,668
Liabilities			
Current Liabilities	44,926,923	41,571,878	3,355,045
Long-Term Liabilities, Net	568,415,762	517,713,349	50,702,413
Other Noncurrent Liabilities	4,716,817	4,295,865	420,952
Total Liabilities	618,059,502	563,581,092	54,478,410
Total Deferred Inflows of Resources	160,237,957	186,564,102	(26,326,145)
Net Position			
Net Investment in Capital Assets	548,973,102	524,701,314	24,271,788
Restricted - Nonexpendable	92,552,552	88,133,951	4,418,601
Restricted - Expendable	184,620,782	138,501,434	46,119,348
Unrestricted	(48,078,845)	(69,525,916)	21,447,071
Total Net Position	\$ 778,067,591	\$ 681,810,783	\$ 96,256,808

On June 30, 2025, total University assets were \$1.4 billion. The largest asset categories were the University's cash and cash equivalents of \$334.9 million, investments of \$169.3 million, capital assets, net of \$867.4 million, and receivables, net of \$40.0 million.

Assets

Current assets increased \$87.6 million primarily due to increases of \$88.0 million and \$8.1 million in pooled cash with the State Treasurer and receivables, net, respectively, offset by the decreases of \$8.1 million in due from primary government. The increase in receivables was due to the increase of \$3.1 million and \$5.0 million in receivables related to grants and pledges receivables, respectively. The University received the outstanding Hurricane Florence payment in fiscal year 2024 resulting in the decrease in due from primary government.

The increase in pooled cash was primarily due to the \$50.1 million liquidation of the unrestricted institutional trust funds' investment, the increase of \$5.2 million in current unearned revenue, the

increase of \$12.6 million in state appropriations as discussed in the Financial Highlights section above, the increase of \$9.8 million in unspent tuition and fees, and the increase of \$4.1 million in unspent sales and services as discussed in the Operating Revenues section below. The increase in current unearned revenue was primarily due to cash advance provided for the capital project under the Healthcare Workforce Development grant sponsored by New Hanover Community Endowment, receipts for 2025's second summer session, and unearned funds provided by other grants.

Capital assets, net increased \$8.3 million during fiscal year 2025. This was primarily due to the net increase of \$62.6 million in buildings and right-to-used leased buildings, the net increase of \$5.2 million in general infrastructure, offset by the net decrease of \$55.0 million in construction in progress, the net decrease of \$1.5 million in machinery and equipment and leased machinery and equipment, and the net decrease of \$2.9 million in right-to-use subscription assets. The decrease in construction in progress was due to the completion of multiple major capital projects in fiscal year 2025 while having relatively fewer construction in progress projects at the end of the fiscal year. See further discussion regarding completed capital projects in the Financial Highlights section above and the Capital Assets section further below. Also, see additional information regarding capital assets in Note 6.

Deferred Outflows of Resources

For fiscal year 2025, total deferred outflows of resources increased \$29.0 million. Deferred outflows fluctuate yearly due to changes in pension and other postemployment benefits (OPEB) liability/asset assumptions and actuarial inputs, such as differences between projected and actual investment earnings and changes in the University's proportion of the liabilities/assets. Deferred outflows to pensions decreased \$10.4 million and deferred outflows to OPEB increased \$39.8 million due mainly to various changes in actuarial assumptions and changes in the University's proportionate share of the liability and contributions during the year. The increase in total deferred outflows is also offset by the decrease of \$0.4 million in deferred loss on refunding related to long-term debt. See Notes 14 and 15 for additional information regarding pension and OPEB.

Liabilities

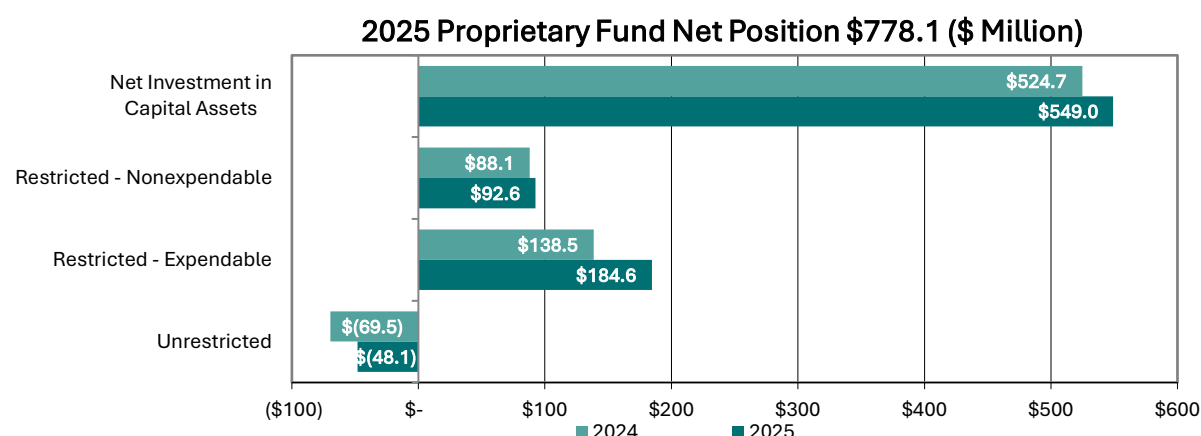
Current liabilities increased by \$3.4 million primarily due to the increase of \$5.2 million in current unearned revenue offset by the decrease of \$2.8 million in accounts payable and accrued liabilities. The decrease in accounts payable and accrued liabilities was primarily due to the decrease in accounts payable related capital projects aligning with the decrease in construction in progress. See the Assets section above for additional discussion regarding current unearned revenue and construction in progress.

Long-term liabilities increased by \$50.7 million due to the increase of \$67.0 million in net OPEB liability and the increase of \$2.4 million in leases liability, offset by the decrease of \$4.1 million in net pension liability, the decrease of \$11.5 million in long-term debt including bonds and similar debt payables and notes from direct borrowing, and the decrease of \$3.1 million in other long-term liabilities. See Note 9 for additional information regarding the long-term liabilities. See sections on Deferred Outflows and Inflows of Resources and Notes 14 and 15 for more details related to pensions and OPEB fluctuations.

Deferred Inflows of Resources

Total deferred inflows of resources decreased \$26.3 million during fiscal year 2025. Deferred inflows also fluctuate yearly due to changes in pension and OPEB liability/asset assumptions and actuarial inputs, such as differences between projected and actual investment earnings and changes in the University's proportion of the liabilities/assets. Deferred inflows for OPEB decreased \$23.3 million due to changes of assumptions. The decrease in total deferred inflows of resources is also attributable to amortization causing the decreases of \$2.4 million in deferred inflows under public-private partnerships. See Notes 14 and 15 for additional information regarding pension and OPEB. See Note 7 for additional information regarding public-private partnerships.

Net Position



The \$24.3 million increase in net investment in capital assets was due primarily to the \$8.3 million net increase in capital assets, the decrease of \$2.4 million in deferred inflows under public-private partnerships, the decrease of \$9.7 million in long-term debts related to capital assets, and the decrease of \$3.8 million in accounts payable related to capital assets and retainage. See Notes 6 and 9 for additional information regarding capital assets and long-term debts.

Net position, restricted-nonexpendable increased \$4.4 million as a result of the new contributions/additions, net investment returns, and withdrawals for spending distributions and administrative fees discussed in the endowment portion of the Financial Highlights section above.

Net position, restricted-expendable increased \$46.1 million in fiscal year 2025 due to the increase of \$38.1 million in expendable endowments and the increase of \$8.0 million in capital projects. See additional information regarding the increase in expendable endowments in the endowment portion of the Financial Highlights section above. Capital projects increase was due to the increase in funding for multiple fiscal year 2026 capital projects.

Unrestricted net position improved \$21.4 million primarily due to the increases of \$4.1 million and \$9.8 million in unspent sales and services and tuition and fee revenues, respectively, as discussed in the Assets section above and the restatement of \$2.6 million as discussed in Note 21.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position includes the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, both operating and nonoperating, as well as any other revenues, expenses, gains, and losses received or expended by the University's proprietary funds.

Operating revenues are received for providing goods and services to the University's various customers and constituencies. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to conduct the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided; examples include state appropriations, noncapital contributions, and investment income. Nonoperating expenses include interest and fees on debt, loss on sale of assets, and other expenses not involved in the normal operations of the University.

Management's Discussion and Analysis

Condensed Statement of Revenues, Expenses, and Changes in Net Position Proprietary Fund For Year Ended June 30, as Indicated

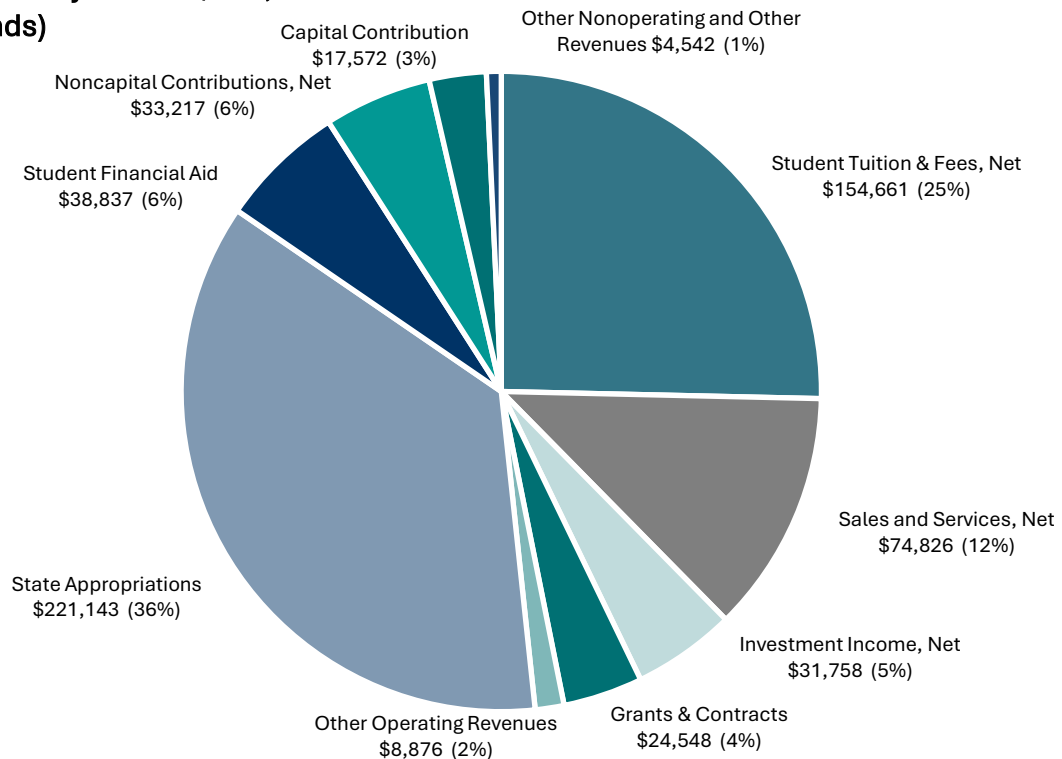
	2025	2024	Change
Operating Revenues			
Student Tuition and Fees, Net	\$ 154,660,513	\$ 144,888,508	\$ 9,772,005
Sales and Services, Net	74,825,685	70,343,530	4,482,155
Grants and Contracts	24,547,609	20,987,670	3,559,939
Other Operating Revenues	8,875,631	7,965,961	909,670
Total Operating Revenues	262,909,438	244,185,669	18,723,769
Operating Expenses			
Salaries and Benefits	305,875,793	277,309,598	28,566,195
Supplies and Services	121,880,488	116,645,583	5,234,905
Scholarships and Fellowships	40,833,472	28,477,013	12,356,459
Utilities	9,847,953	9,544,402	303,551
Depreciation/Amortization	30,705,852	28,060,337	2,645,515
Total Operating Expenses	509,143,558	460,036,933	49,106,625
Operating Loss	(246,234,120)	(215,851,264)	(30,382,856)
Nonoperating Revenues (Expenses)			
State Appropriations	221,143,329	208,553,275	12,590,054
Student Financial Aid and Noncapital Contributions, Net	72,053,808	36,252,942	35,800,866
Federal Aid - COVID-19	98,787	632,739	(533,952)
Investment Income, Net	31,757,955	28,443,108	3,314,847
Interest and Fees on Debt	(6,851,984)	(7,206,036)	354,052
Hurricane Florence Disaster Costs	-	(1,148,500)	1,148,500
Hurricane Florence Insurance Recoveries	-	3,063,980	(3,063,980)
Other Nonoperating Expenses	(346,035)	(738,104)	392,069
Other Revenues			
Capital Contributions	17,571,605	37,488,120	(19,916,515)
Additions to Endowments	4,444,960	2,249,929	2,195,031
Total Net Nonoperating and Other Revenues	339,872,425	307,591,453	32,280,972
Increase in Net Position	93,638,305	91,740,189	1,898,116
Net Position - Beginning of Year	684,429,286	590,070,594	94,358,692
Net Position and Net Position Prior to Restatement	778,067,591	681,810,783	96,256,808
Restatement to adjust the University's Compensated Absences Pursuant to GASB Statement No. 101	-	2,618,503	(2,618,503)
Net Position and Net Position as Restated	\$ 778,067,591	\$ 684,429,286	\$ 93,638,305
Reconciliation of Change in Net Position			
Total Revenues	\$ 609,979,882	\$ 560,869,762	\$ 49,110,120
Less: Total Expenses	516,341,577	469,129,573	47,212,004
Increase in Net Position	\$ 93,638,305	\$ 91,740,189	\$ 1,898,116

Overall, net position increased \$93.6 million during the year ended June 30, 2025, which was an increase of \$1.9 million when compared with fiscal year 2024 overall increase of \$91.7 million. This was due to the increase of \$32.3 million in total net nonoperating and other revenue, offset by the increase of \$30.4 million in operating loss.

Operating Revenues

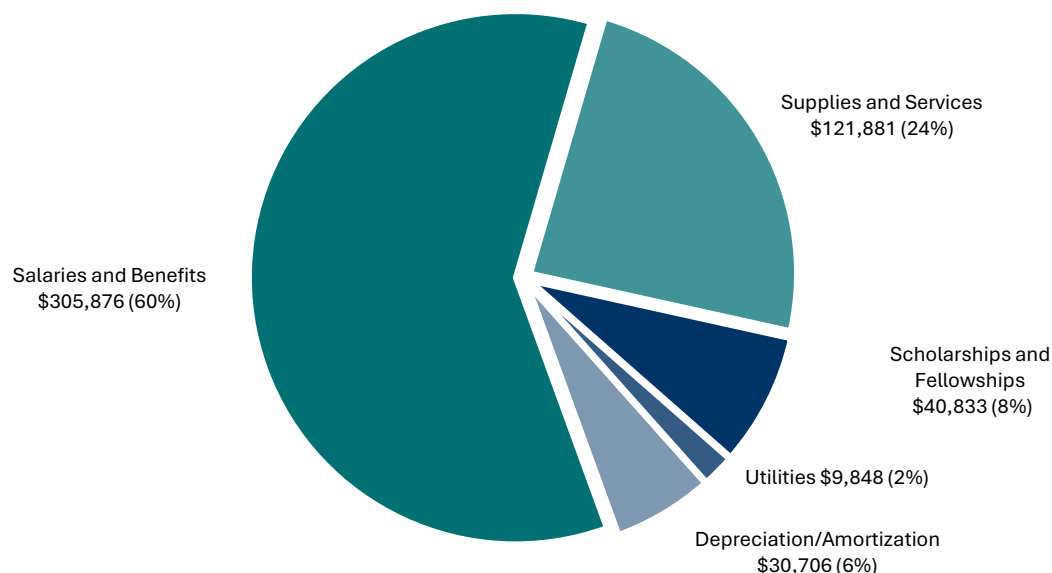
The University recorded its largest student tuition and fees revenue of \$154.7 million in the last five years, demonstrating the University's growth in public higher education. Tuition and fees increased \$9.8 million including the increase of \$3.0 million in nonresident tuition, the increase of \$4.5 million in resident tuition, and the increase of \$3.6 million in mandatory and nonmandatory fees, offset by the increase of \$1.3 million in tuition and fee discount. The increase in tuition and fees was primarily due to the increase in tuition and fee rates and enrollment. See additional information in the Financial Highlights section above. The \$4.5 million increase in sales and services was due primarily to the continued increase in enrollment as the University's headcount was nearly 19,000 students. Specifically, food service contract revenue, housing and residential, and parking increased \$1.3 million, \$2.7 million, and \$0.5 million, respectively. The University experienced grants and contracts increase of \$3.6 million primarily due to the state and local grant awarded from the University of North Carolina System's Health Care Workforce Expansion initiative to support the University's nursing program.

2025 Revenue by Source \$609,980 (\$ Thousands)



Operating Expenses

**2025 Operating Expense by Nature \$509,144
(\$ Thousands)**

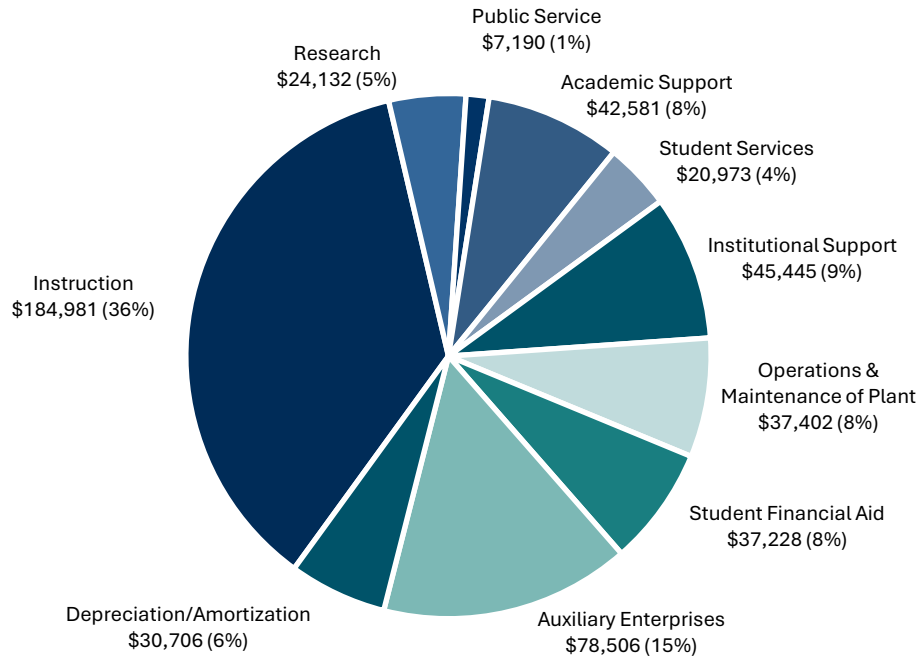


Salaries and benefits increased \$28.6 million due to the impact of GASB 68 and GASB 75 related pension and OPEB expenses totaling \$11.2 million in fiscal year 2025, the increase of \$10.6 million in regular salaries, the increase of \$2.8 million in permanent teaching faculty, and the increase of \$4.0 million in benefits. The increase in regular salaries was due to the 3% legislative increases, the 1% discretionary increase, and other employment fluctuations.

Supplies and services increased \$5.2 million due in large to the increase of \$2.1 million in repairs and maintenance expenses related to buildings and other structures, the increase of \$1.3 million in noncapitalized furniture for classroom and library, and the increase of \$1.8 million for noncapitalized computer and printer equipment.

Scholarships and fellowships increased \$12.4 million in fiscal year 2025 mainly due to an increase in enrollment which resulted in the increases of \$6.5 million in federal Pell grants, \$1.8 million in Academic Enhanced scholarships, \$2.6 million in various state scholarships, and \$1.5 million in other smaller scholarships.

**2025 Operating Expense by Function \$509,144
(\$ Thousands)**



Instruction expense of \$185.0 million remains the largest expense by function at 36% of operating expenses.

Nonoperating Revenues and Expenses

In fiscal year 2025, the total nonoperating revenues net of nonoperating expenses increased by \$50.0 million primarily due to the increase of \$12.6 million in state appropriations, the increase of \$26.9 million in noncapital contributions, net, and the increase of \$8.9 million in student financial aid. See additional information regarding state appropriations in the Financial Highlights section above. The increase in noncapital contributions was a result of historic level pledges received in fiscal year 2025, which are significantly more compared to fiscal year 2024. The increase in student financial aid was due mainly to an increase in enrollment which resulted in the increase of \$6.5 million in federal Pell grant and the increase of \$2.4 million in state and other student financial aid.

Other Revenues

Capital contributions decreased \$19.9 million in fiscal year 2025 due to the decrease in funding for the Randall Library Renovation and Expansion project, which was completed in August of the fall 2024 semester.

Capital Assets and Debt Administration

Capital Assets

The University had \$867.5 million invested in capital assets at June 30, 2025, as reported in the table below, an increase of \$8.3 million from 2024.

Capital Assets Net of Depreciation June 30, as Indicated

	2025	2024	Change
Land and Permanent Easements	\$ 15,951,353	\$ 15,951,353	\$ -
Art, Literature, and Artifacts	2,036,789	2,036,789	-
Construction In Progress	12,197,737	67,223,387	(55,025,650)
Buildings, Net	729,253,219	670,134,180	59,119,039
Machinery and Equipment, Net	34,184,882	35,765,922	(1,581,040)
General Infrastructure, Net	61,784,740	56,624,108	5,160,632
RTU Leased Buildings, Net	4,375,714	898,412	3,477,302
RTU Leased Machinery and Equipment, Net	450,823	368,003	82,820
RTU Subscription Assets, Net	7,228,319	10,135,337	(2,907,018)
Total Capital Assets	\$ 867,463,576	\$ 859,137,491	\$ 8,326,085

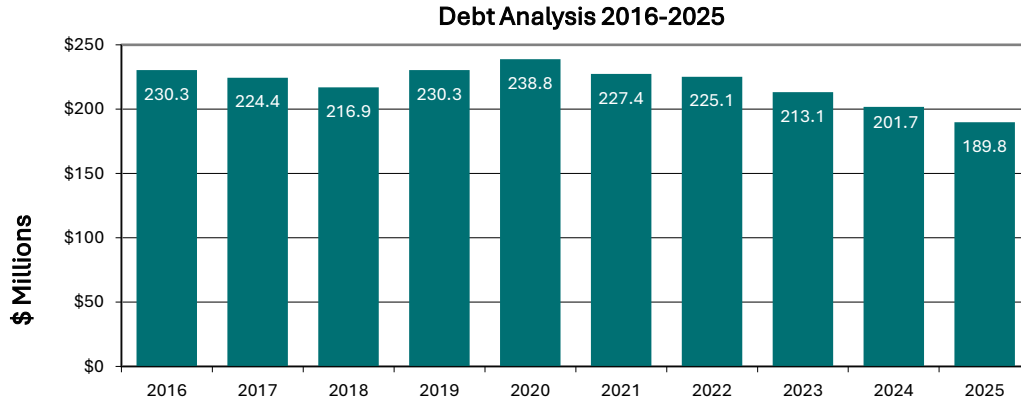
During fiscal year 2025, construction in progress decreased \$55.0 million due to the completion of multiple major capital projects totaling \$79.0 million, offset by capitalizable costs of \$24.0 million of ongoing and completed projects. See below for completed projects.

Buildings, net increased \$59.1 million due to the completion of Randall Library Renovation and Expansion project \$58.9 million, Alderman and King Hall renovation \$10.0 million, and other completed projects \$2.7 million, offset by the depreciation associated to building assets \$12.5 million.

General infrastructure, net increased \$5.2 million due to the completion of Brooks Baseball Field renovation \$4.5 million and other smaller general infrastructure projects \$2.9 million, offset by associated general infrastructure depreciation of \$2.2 million.

Debt

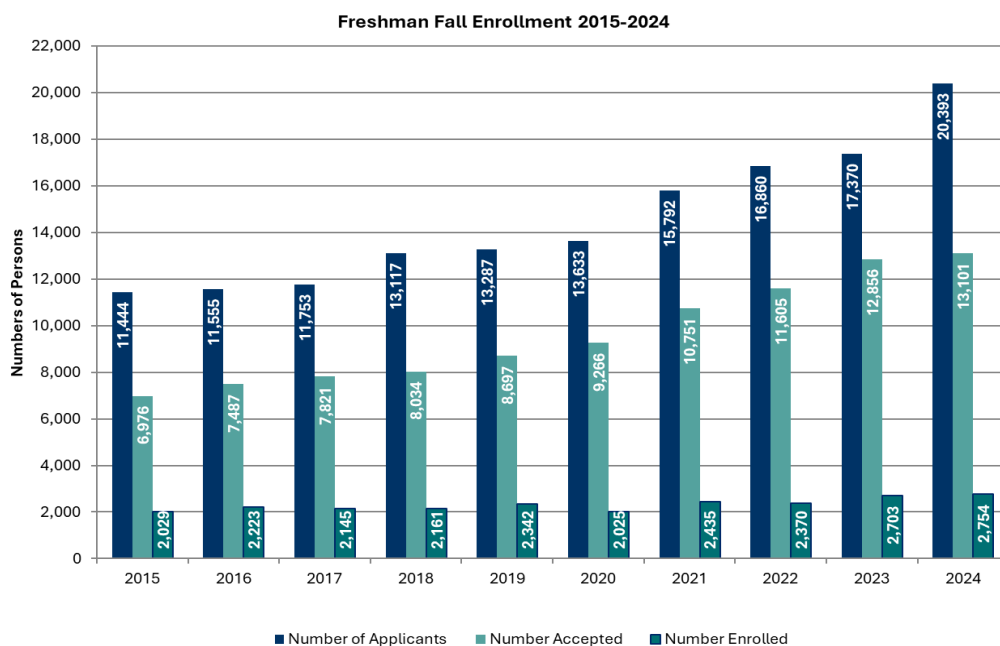
As of June 30, 2025, the University's \$189.8 million in long-term debt included outstanding revenue bonds payable, limited obligation bonds, and bonds from direct placements of \$183.3 million, and notes from direct borrowings of \$6.5 million.



For additional information on capital assets and debt administration, see Notes 6, 9, and 10 of the financial statements.

Economic Forecast

The University of North Carolina Wilmington, the State's coastal university, integrates teaching and mentoring with research and service. UNCW's commitment to student engagement, creative inquiry, critical thinking, thoughtful expression, and civic responsibility defines the student experience. Graduates of our undergraduate, master's and doctoral programs are prepared to serve the needs of local, state, and global communities. In the fall of 2024, the number of freshman applications climbed to 20,393 and freshman enrollment increased to 2,756 from 2,703. Overall enrollment increased to 18,848. Preliminary data shows fall 2025 freshman applications of 22,279, an increase of 9.2% and freshman enrollment of 3,036 an increase of 10.2%. Preliminary data for fall 2025 also shows total enrollment increasing to 19,895.



For fiscal year 2026, UNCW requested a recurring budget adjustment of \$5.2 million for an enrollment growth allocation and a nonrecurring budget adjustment of \$1.0 million for performance funding to further support growth and operations of the University.

UNCW participates in the fixed tuition program established by North Carolina General Statute 116-143.9, which stipulates that tuition remain fixed for four years for continuously enrolled undergraduate resident students. Effective fall 2025, UNCW increased tuition \$317 for resident graduate students, \$1,282 for non-resident graduate students, and \$1,279 for non-resident undergraduate students representing a 6% increase. The additional revenue will support new and expanding academic programs, transition to new salary ranges, library operating needs, Disability Resource Center staffing, Center for Teaching Excellence, University Learning Center staffing, and University Police department salary. UNCW also increased the Student Activities fee \$15. This revenue will support inflationary costs, and mandatory salary increases for Campus Recreation and Commencement.

UNCW is making notable progress toward accomplishing the objectives of the Strategic Plan: Soar High, Soar Far, Soar Together, a 10-year blueprint to guide the university's future. This comprehensive plan conveys the goals and aspirations of UNCW students, faculty, staff, alumni, donors, and community partners. Updates can be found at <http://uncw.edu/about/leadership/strategic-plan/updates>.

Contacting the University's Financial Management

This financial report is designed to provide our students, citizens, investors, and creditors with a general overview of the University's finances and demonstrate accountability of all funds. Contact the Controller's Office at (910) 962-3144 for additional financial information or to access the Controller's Office web page at http://www.uncw.edu/controller/financial_reports.html.



Financial Statements

University of North Carolina Wilmington
Statement of Net Position
Proprietary Fund
June 30, 2025

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 236,217,852
Restricted Cash and Cash Equivalents	46,026,985
Receivables, Net (Note 5)	21,582,905
Inventories	598,184
Notes Receivable, Net (Note 5)	215,568
Leases Receivable (Note 10)	137,602
Total Current Assets	304,779,096

Noncurrent Assets:

Restricted Cash and Cash Equivalents	52,631,371
Receivables, Net (Note 5)	17,082,325
Endowment Investments	169,300,510
Notes Receivable, Net (Note 5)	729,733
Leases Receivable (Note 10)	292,269
Net Other Postemployment Benefits Asset	309,439
Capital Assets - Nondepreciable (Note 6)	30,185,879
Capital Assets - Depreciable, Net (Note 6)	837,277,697
Total Noncurrent Assets	1,107,809,223
Total Assets	1,412,588,319

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	4,598,867
Deferred Outflows Related to Pensions	37,246,733
Deferred Outflows Related to Other Postemployment Benefits (Note 15)	101,931,131
Total Deferred Outflows of Resources	143,776,731

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 8)	6,595,253
Deposits Payable	47,902
Funds Held for Others	195,791
Unearned Revenue	20,104,864
Interest Payable	1,093,599
Long-Term Liabilities - Current Portion (Note 9)	16,889,514
Total Current Liabilities	44,926,923

Noncurrent Liabilities:

Funds Held for Others	1,051,755
Unearned Revenue	3,442,550
U.S. Government Grants Refundable	222,512
Long-Term Liabilities, Net (Note 9)	568,415,762
Total Noncurrent Liabilities	573,132,579
Total Liabilities	618,059,502

University of North Carolina Wilmington
Statement of Net Position
Proprietary Fund
June 30, 2025

Exhibit A-1
Page 2 of 2

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Under Public-Private Partnerships (Note 7)	118,572,218
Deferred Gain on Refunding	473,293
Deferred Inflows Related to Pensions	212,548
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	40,437,217
Deferred Inflows for Leases	542,681
Total Deferred Inflows of Resources	160,237,957

NET POSITION

Net Investment in Capital Assets	548,973,102
Restricted:	
Nonexpendable:	
True Endowments	92,131,331
Student Loans and Other	421,221
Total Restricted-Nonexpendable Net Position	92,552,552
Expendable:	
Scholarships, Research, Instruction, and Other	119,419,037
Student Loans	1,111,054
Capital Projects	64,090,691
Total Restricted-Expendable Net Position	184,620,782
Unrestricted	(48,078,845)
Total Net Position	\$ 778,067,591

The accompanying notes to the financial statements are an integral part of this statement.

University of North Carolina Wilmington
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2025

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 12)	\$ 154,660,513
Federal Grants and Contracts	11,378,888
State and Local Grants and Contracts	8,635,822
Nongovernmental Grants and Contracts	4,532,899
Sales and Services, Net (Note 12)	74,825,685
Interest Earnings on Loans	8,346
Other Operating Revenues	8,867,285
Total Operating Revenues	262,909,438

OPERATING EXPENSES

Salaries and Benefits	305,875,793
Supplies and Services	121,880,488
Scholarships and Fellowships	40,833,472
Utilities	9,847,953
Depreciation/Amortization	30,705,852
Total Operating Expenses	509,143,558
Operating Loss	(246,234,120)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	221,143,329
Student Financial Aid	38,836,776
Federal Aid - COVID-19	98,787
Noncapital Contributions, Net (Note 12)	33,217,032
Investment Income (Net of Investment Expense of \$413,359)	31,757,955
Interest and Fees on Debt	(6,851,984)
Other Nonoperating Expenses	(346,035)
Net Nonoperating Revenues	317,855,860
Income Before Other Revenues	71,621,740
Capital Contributions	17,571,605
Additions to Endowments	4,444,960
Total Other Revenues	22,016,565
Increase in Net Position	93,638,305

NET POSITION

Net Position - July 1, 2024, as Restated (Note 21)	684,429,286
Net Position - June 30, 2025	\$ 778,067,591

The accompanying notes to the financial statements are an integral part of this statement.

University of North Carolina Wilmington
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2025

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 256,642,813
Payments to Employees and Fringe Benefits	(295,360,246)
Payments to Vendors and Suppliers	(130,749,740)
Payments for Scholarships and Fellowships	(40,833,472)
Loans Issued	(32,165)
Collection of Loans	186,253
Interest Earned on Loans	15,115
William D. Ford Direct Lending Receipts	71,805,389
William D. Ford Direct Lending Disbursements	(71,805,389)
Related Activity Agency Receipts	50,483,806
Related Activity Agency Disbursements	(50,242,870)
Other Payments	(3,105)
Net Cash Used by Operating Activities	(209,893,611)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	221,143,329
Student Financial Aid	38,800,453
Proceeds from All-Risk Insurance	8,074,679
Federal Aid - COVID-19	98,787
Noncapital Contributions	15,129,248
Additions to Endowments	4,444,960
Cash Provided by Noncapital Financing Activities	287,691,456

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Capital Contributions	21,667,588
Proceeds from Sale of Capital Assets	162,094
Proceeds from Lease Arrangements	418,107
Acquisition and Construction of Capital Assets	(35,988,454)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(16,321,359)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(7,694,183)
Net Cash Used by Capital Financing and Related Financing Activities	(37,756,207)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	57,483,937
Investment Income	16,024,633
Purchase of Investments and Related Fees	(4,262,066)
Net Cash Provided by Investing Activities	69,246,504
Net Increase in Cash and Cash Equivalents	109,288,142
Cash and Cash Equivalents - July 1, 2024	225,588,066
Cash and Cash Equivalents - June 30, 2025	\$ 334,876,208

University of North Carolina Wilmington
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2025

Exhibit A-3
Page 2 of 2

**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (246,234,120)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	30,705,852
Lease Income (Amortized Deferred Inflows of Resources)	(382,225)
Allowances and Write-Offs	72,693
Other Nonoperating Income	380,002
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(5,483,110)
Inventories	17,800
Notes Receivable, Net	254,815
Net Other Postemployment Benefits Asset	(309,439)
Deferred Outflows Related to Pensions	10,425,900
Deferred Outflows Related to Other Postemployment Benefits	(39,830,238)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	868,519
Funds Held for Others	240,936
Unearned Revenue	1,429,931
Net Pension Liability	(4,105,010)
Net Other Postemployment Benefits Liability	67,093,824
Compensated Absences	966,519
Deposits Payable	4,060
Workers' Compensation Liability	23,847
Deferred Inflows Under Public-Private Partnerships	(2,402,265)
Deferred Inflows Related to Pensions	(348,429)
Deferred Inflows Related to Other Postemployment Benefits	(23,283,473)
Net Cash Used by Operating Activities	<u>\$ (209,893,611)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 7,669,447
Assets Acquired through a Gift	101,124
Change in Fair Value of Investments	15,733,323
Loss on Disposal of Capital Assets	(730,226)
Amortization of Bond Premiums	(1,012,268)
Amortization of Deferred Loss on Refunding	197,074
Increase in Arbitrage Rebate Payable	42,013
Increase in Receivables Related to Nonoperating Revenues	20,324,267
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributor	(91,278)

The accompanying notes to the financial statements are an integral part of this statement.

University of North Carolina Wilmington
Statement of Fiduciary Net Position
Fiduciary Fund - Custodial Funds
June 30, 2025

Exhibit B-1

	Other Funds
ASSETS	
Cash and Cash Equivalents	\$ 4,655,832
Total Assets	4,655,832
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	-
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Restricted for:	
Affiliated Organizations	4,655,832
Total Fiduciary Net Position	\$ 4,655,832

The accompanying notes to the financial statements are an integral part of this statement.

University of North Carolina Wilmington
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Custodial Funds
For the Fiscal Year Ended June 30, 2025

Exhibit B-2

	<u>Other Funds</u>
ADDITIONS	
Contributions:	
Affiliated Organizations	\$ 4,356,126
Investment Activity:	
Investment Income	<u>169,606</u>
Total Additions	<u>4,525,732</u>
DEDUCTIONS	
Withdrawals and Distributions	<u>3,714,765</u>
Increase in Fiduciary Net Position	810,967
NET POSITION	
Net Position - July 1, 2024	<u>3,844,865</u>
Net Position - June 30, 2025	<u><u>\$ 4,655,832</u></u>

The accompanying notes to the financial statements are an integral part of this statement.



Notes to the Financial Statements

Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina Wilmington (University or UNCW) is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are blended in the University's financial statements. See below for further discussion of the University's component units. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Blended Component Units - Although legally separate, the UNCW Corporation (Corporation), the UNCW Corporation II (Corporation II), the UNCW Research Foundation (Research Foundation), and the Donald R. Watson Foundation, Inc. (Watson Foundation), component units of the University, are reported as if they were part of the University.

The Corporation was organized to enhance the University of North Carolina Wilmington's educational mission, including overseeing and assisting in the acquisition and financing of capital assets for the University. The Corporation is a public not-for-profit organization that reports its financial results under Governmental Accounting Standards Board (GASB) Statements. The Corporation is governed by a six-member board of which three are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Corporation II includes the activities of the single member entities, UNCW Corporation Real Property I, LLC (Real Property), and UNCW Corporation College Station, LLC (College Station). The Corporation II was organized to enhance the University of North Carolina Wilmington's educational mission, including constructing or managing facilities for the University. These entities acquire real property that is used solely by the University for auxiliary support, off-campus parking, or other agreed upon activities. The Corporation II is a public not-for-profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Corporation II is governed by a seven-member board of which four are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation II's sole

purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Research Foundation includes the activities of the single member entities, UNCW Corporation Research I, LLC, MARBIONC Development Group, LLC, The CREST Millennial Campus, LLC, the UNCW Center for Innovation and Entrepreneurship, LLC, and the UNCW Innovation Coalition Corporation. The Research Foundation was organized to enhance the University of North Carolina Wilmington's educational mission. These entities, through collaborative research relationships, pursue commercialization opportunities and the economic development of research discoveries, materials, and intellectual properties for the benefit of the University. The Research Foundation is a public not-for-profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Research Foundation is governed by a four-member board, all of which are delegates of the University. As the Research Foundation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Watson Foundation was organized to support charitable, religious, scientific, and educational institutions located in the State of North Carolina provided that each supported organization is tax exempt and eligible to receive charitable donations. The Watson Foundation is a public not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from that of GASB. The financial statement format of the Watson Foundation was modified to make it compatible with the University's financial statement format. The Watson Foundation is governed by a five-member board of which three are appointed by the Board of Trustees, and two are appointed by the benefactor. Because a majority of the directors of the Watson Foundation are appointed by the members of the University of North Carolina Wilmington's Board of Trustees and the Watson Foundation's primary purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

Separate financial statements for the Corporation, the Corporation II, the Research Foundation, and the Watson Foundation may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5918, or by calling 910-962-3139.

Condensed combining information regarding blended component units is provided in Note 19.

- 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). 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*, require the presentation of both proprietary and fiduciary fund financial statements. See below for a description of each fund.

Proprietary Fund - This fund accounts for the University's primary activities and is presented in a single column on the accompanying proprietary fund financial statements.

Fiduciary Fund - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of affiliated organizations. Custodial funds include resources held on behalf of four separately incorporated nonprofit foundations associated with the University. See Note 18 for detailed information regarding the nature of the fiduciary activities.

- C. Basis of Accounting** - The financial statements of the University 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 University 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 undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and 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.

- E. Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the University for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported.

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.
- H. 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 University 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. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the \$5,000 threshold are capitalized when significant. The University evaluates the effectiveness of the threshold for capitalization of machinery and equipment and determines the amounts under the threshold that are considered significant for financial statement reporting purposes to be capitalized.

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	10-100 years
Machinery and Equipment	2-50 years
General Infrastructure	10-50 years

The Randall Library Special collection is capitalized at cost or acquisition value at the date of donation. The collection is considered inexhaustible and is therefore not depreciated.

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of \$20,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$20,000 or greater and an estimated useful life of more than one year.

Amortization for right-to-use leased and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying asset's estimated useful life. If a lease agreement contains a purchase option the University is reasonably certain will be exercised, the right-to-use leased asset is amortized over the asset's estimated useful life.

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.

- J. Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

All custodial funds meeting the criteria of a fiduciary activity are reported in separate fiduciary fund financial statements.

- K. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes: revenue bonds payable, limited obligation bonds, bonds from direct placements, and notes from direct borrowings. Other long-term liabilities include: arbitrage rebate payable, lease liabilities, subscription liabilities, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

Revenue bonds payable, limited obligation bonds, and bonds from direct placements are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method that approximates the effective interest method. Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method and are aggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 15 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- L. Compensated Absences** - The University accrues a liability for earned leave that carries over to future periods and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. When determining the liability, leave is considered taken on a last in, first out (LIFO) basis.

Vacation Leave – Leave policies vary by employee group. For employees exempt from the State Human Resource Act, vacation is earned through the annual or personal leave programs established by the University of North Carolina Board of Governors. Leave is earned monthly and is subject to a maximum accumulated unused amount as of the end of each calendar year. The maximum amounts and the ability to convert amounts over the maximum to sick leave vary based on the program.

Bonus Leave – Bonus leave includes 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 to 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.

Sick Leave – Sick leave is earned monthly by eligible employees. The policy provides for the accumulation of unused sick leave to be carried forward until used. When employment is terminated, unused leave is forfeited or used to increase a member's creditable service for employees participating in the North Carolina Teachers' and State Employees' Retirement System (TSERS). Based on a historical analysis of sick leave taken compared to sick leave earned, the liability for unused sick leave using the LIFO method was determined to be insignificant. Therefore, no sick leave liability is recognized on the financial statements

M. Deferred Outflows/Inflows of Resources - Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

N. Net Position - The University's net position is classified as follows:

Proprietary Fund

Net Investment in Capital Assets - This represents the University'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. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

Restricted Net Position - Nonexpendable - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

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.

Restricted and 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 separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 11 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

Fiduciary Fund

Restricted Net Position - Fiduciary net position includes resources held in a custodial capacity for other organizations, that are not available for alternative use by the University.

- O. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount. The allocation of the scholarship discounts to tuition and fees revenues and auxiliary service revenues was changed in fiscal year 2025 to follow updated guidance from the National Association of College and University Business Officers (NACUBO). The updated guidance recommended the allocation of scholarship discounts be based on an analysis of individual student account charges and financial aid payments from the student management information system versus the use of aggregated student financial aid and aggregated revenue amounts.
- P. Revenue and Expense Recognition** - The University 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 University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. 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 subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- Q. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as physical plant, copy centers, postal services, and telecommunications. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

Note 2 - Deposits and Investments

- A. Deposits** - Unless specifically exempt, the University is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2025, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$334,724,143 for the proprietary fund and \$4,655,832 for the fiduciary fund, which represents the University'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 2.1 years as of June 30, 2025. 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.

Cash on hand at June 30, 2025 was \$34,205. The carrying amount of the University's deposits not with the State Treasurer was \$117,860, and the bank balance was \$111,810. Custodial

credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2025, the University did not have any bank balance that was exposed to custodial credit risk.

- B. Investments** - The University is authorized by the University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

Additionally, the University has also been delegated authority by the President of the University of North Carolina pursuant to G.S. 116-36.1 and Section 600.2.4.1 of the Policy Manual of the University of North Carolina to invest its trust funds in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of the University's component unit, the Watson Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements.

Investments from various donors or other sources may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income.

Investments are subject to the following risks as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3*.

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University's formal policy is designed to reduce

interest rate risk. The policy permits investments in high quality instruments of limited duration (up to 24 months). Permitted investments are United States (U.S.) Treasury Bills, Notes, and Bonds (backed by the full faith and credit of the U.S.), Bank Certificates of Deposit (Federal Deposit Insurance Corporation Insured), U.S. Government Money Market Funds (AAA), and the State Treasurer's STIF.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy that addresses credit risk.

Long-Term Investment Pool - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unit value method. Under this method, the pool uses a unit basis to determine each participating fund's market value and to determine the fund's earnings. The investment strategy, including the selection of investment managers, is based on the directives of the Board of Trustees of the Endowment Fund. At year-end, the pooled investments subject to interest rate risk were all held with the UNC Investment Fund, LLC.

UNC Investment Fund, LLC - At June 30, 2025, the University's investments include \$167,679,142, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments - The following table presents investments by type and investments subject to interest rate risk at June 30, 2025, for the University's non-pooled investments.

Non-Pooled Investments

Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Debt Mutual Funds	\$ 447,534	\$ -	\$ 133,669	\$ 313,865
Money Market Mutual Funds	7,937	7,937	-	-
Total Debt Securities	455,471	<u>\$ 7,937</u>	<u>\$ 133,669</u>	<u>\$ 313,865</u>
Other Securities				
Equity Mutual Funds	1,165,897			
Total Non-Pooled Investments	<u>\$ 1,621,368</u>			

At June 30, 2025, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	\$447,534	\$174,629	\$90,815	\$48,967	\$65,751	\$57,258	\$10,114
Money Market Mutual Funds	7,937	7,937	-	-	-	-	-
Totals	<u>\$455,471</u>	<u>\$182,566</u>	<u>\$90,815</u>	<u>\$48,967</u>	<u>\$65,751</u>	<u>\$57,258</u>	<u>\$10,114</u>

Rating Agency: Standard & Poor's

Total Investments - The following table presents the total investments at June 30, 2025:

	Amount
Investment Type	
Debt Securities	
Debt Mutual Funds	\$ 447,534
Money Market Mutual Funds	7,937
Other Securities	
UNC Investment Fund	167,679,142
Equity Mutual Funds	1,165,897
Total Investments	<u>\$ 169,300,510</u>

Note 3 - Fair Value Measurements

To the extent available, the University's investments are recorded at fair value as of June 30, 2025. 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.

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- 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.

The following table summarizes the University's proprietary and fiduciary fund investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2025:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	\$ 447,534	\$ 447,534	\$ -	\$ -
Money Market Mutual Funds	7,937	7,937	-	-
Total Debt Securities	455,471	455,471	-	-
Other Securities				
Equity Mutual Funds	1,165,897	1,165,897	-	-
Total Investments by Fair Value Level	1,621,368	\$ 1,621,368	\$ -	\$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	339,379,975			
UNC Investment Fund	167,679,142			
Total Investments as a Position in an External Investment Pool	507,059,117			
Total Investments Measured at Fair Value	\$ 508,680,485			

Short-Term Investment Fund - 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 University'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.

UNC Investment Fund - Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund's 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 University's position in the pool is measured and reported at fair value and the UNC Investment Fund is not required to be categorized within the fair value hierarchy.

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Note 4 - Endowment Investments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the

Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment fund are based on an adopted spending policy which limits spending to 4.5% of the average market value of the endowment over three previous years. To the extent that the total return for current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2025, net appreciation of \$83,239,069 was available to be spent, of which \$74,839,604 was classified in net position as it is restricted, expendable for specific purposes, including scholarships, research, instruction, and other uses. The remaining portion of net appreciation available to be spent is classified as unrestricted net position. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Note 5 - Receivables

Receivables at June 30, 2025, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 5,026,615	\$ 501,762	\$ 4,524,853
Accounts	8,939,256	-	8,939,256
Intergovernmental	1,411,125	-	1,411,125
Pledges	6,768,008	92,161	6,675,847
Interest on Loans	15,147	-	15,147
Other	16,677	-	16,677
Total Current Receivables	\$ 22,176,828	\$ 593,923	\$ 21,582,905
Noncurrent Receivables:			
Pledges	\$ 17,366,278	\$ 283,953	\$ 17,082,325
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 88,582	\$ 4,813	\$ 83,769
Promisory Note	69,421	-	69,421
Institutional Student Loan Programs	62,378	-	62,378
Total Notes Receivable - Current	\$ 220,381	\$ 4,813	\$ 215,568
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 285,451	\$ 28,545	\$ 256,906
Institutional Student Loan Programs	472,827	-	472,827
Total Notes Receivable - Noncurrent	\$ 758,278	\$ 28,545	\$ 729,733

Note 6 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2025, is presented as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 15,951,353	\$ -	\$ -	\$ 15,951,353
Art, Literature, and Artifacts	2,036,789	-	-	2,036,789
Construction in Progress	67,223,387	23,987,939	79,013,589	12,197,737
Total Capital Assets, Nondepreciable	85,211,529	23,987,939	79,013,589	30,185,879
Capital Assets, Depreciable:				
Buildings	894,825,368	71,631,960	-	966,457,328
Machinery and Equipment	95,670,454	8,292,480	4,525,575	99,437,359
General Infrastructure	80,858,058	7,381,629	-	88,239,687
Right-to-Use Leased Buildings	1,195,916	4,672,305	-	5,868,221
Right-to-Use Leased Machinery and Equipment	897,643	289,959	-	1,187,602
Right-to-Use Subscription Assets	17,792,228	2,681,574	-	20,473,802
Total Capital Assets, Depreciable	1,091,239,667	94,949,907	4,525,575	1,181,663,999
Less Accumulated Depreciation/Amortization for:				
Buildings	224,691,188	12,512,921	-	237,204,109
Machinery and Equipment	59,904,532	8,981,200	3,633,255	65,252,477
General Infrastructure	24,233,950	2,220,997	-	26,454,947
Right-to-Use Leased Buildings	297,504	1,195,003	-	1,492,507
Right-to-Use Leased Machinery and Equipment	529,640	207,139	-	736,779
Right-to-Use Subscription Assets	7,656,891	5,588,592	-	13,245,483
Total Accumulated Depreciation/Amortization	317,313,705	30,705,852	3,633,255	344,386,302
Total Capital Assets, Depreciable, Net	773,925,962	64,244,055	892,320	837,277,697
Capital Assets, Net	\$ 859,137,491	\$ 88,231,994	\$ 79,905,909	\$ 867,463,576

As of June 30, 2025, the total amount of right-to-use leased and subscription assets was \$7,055,823 and \$20,473,802, and the related accumulated amortization was \$2,229,286 and \$13,245,483, respectively.

Note 7 - Public-Private Partnership for Student Housing Facility

The University entered an agreement on December 20, 2018, with CHF-Wilmington, LLC (CHF) to construct and operate a Student Housing Facility. The University entered into this agreement to address a shortage of student housing caused by enrollment growth yet avoid the issuance of debt. The Student Housing Facility consists of a 1,038-bed, two-building student housing facility completed in the Fall of 2020 ("Phase I") and a 776-bed, two-building student housing facility completed in the Fall of 2021 (Phase II). The project is on property located on the campus of the University of North Carolina Wilmington and leased to CHF for 50 years. Upon final payment of all indebtedness owed under the agreement, CHF will transfer all of its interest in the facility for no cost to the University. The agreement meets the definition of a service concession arrangement, as defined in GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. As a result, the University reports the project as a capital

asset and a related deferred inflow of resources. The University also reports the student housing facility as a capital asset with a carrying amount of \$126,151,926 at year-end and a related deferred inflow of resources of \$118,572,218. The net effect of this arrangement is reflected in the Statement of Net Position as an increase to net investment in capital assets of \$7,579,708.

The student housing facility is managed by the University under the terms of the management agreement. The University operates the facility with budgetary oversight from CHF.

Note 8 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2025, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 3,519,763
Accounts Payable - Capital Assets	1,363,100
Accrued Payroll	900,536
Contract Retainage	25,209
Intergovernmental Payables	786,645
Total Current Accounts Payable and Accrued Liabilities	\$ 6,595,253

Note 9 - Long-Term Liabilities

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2025, is presented as follows:

	Balance July 1, 2024 (as Restated)	Additions	Reductions	Balance June 30, 2025	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 72,240,000	\$ -	\$ 1,680,000	\$ 70,560,000	\$ 1,765,000
Limited Obligation Bonds	91,975,000	-	5,320,000	86,655,000	5,565,000
Bonds from Direct Placements	14,410,000	-	3,131,000	11,279,000	3,176,000
Plus: Unamortized Premium	15,785,835	-	1,012,268	14,773,567	-
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net	194,410,835	-	11,143,268	183,267,567	10,506,000
Notes from Direct Borrowings	7,288,342	-	752,102	6,536,240	799,266
Total Long-Term Debt	201,699,177	-	11,895,370	189,803,807	11,305,266
Other Long-Term Liabilities					
Arbitrage Rebate Payable	-	42,013	-	42,013	-
Lease Liabilities	1,258,391	4,998,867	764,507	5,492,751	2,054,106
Subscription (SBITA) Liabilities	6,965,111	2,670,580	4,673,750	4,961,941	2,774,321
Employee Benefits					
Compensated Absences	11,338,779	9,544,475	8,577,956	12,305,298	490,374
Net Pension Liability	76,005,903	-	4,105,010	71,900,893	-
Net Other Postemployment Benefits Liability	233,015,300	67,245,727	243,181	300,017,846	-
Workers' Compensation	756,880	469,923	446,076	780,727	265,447
Total Other Long-Term Liabilities	329,340,364	84,971,585	18,810,480	395,501,469	5,584,248
Total Long-Term Liabilities, Net	\$ 531,039,541	\$84,971,585	\$ 30,705,850	\$ 585,305,276	\$ 16,889,514

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 10.

Additional information regarding the net pension liability is included in Note 14.

Additional information regarding the net other postemployment benefits liability is included in Note 15.

Additional information regarding workers' compensation is included in Note 16.

Notes to the Financial Statements

B. Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements - The University was indebted for revenue bonds payable, limited obligation bonds, and bonds from direct placements for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
Revenue Bonds Payable					
UNCW General Revenue Bonds					
Parking Deck	2019	3.0% - 5.0%	04/01/2049	\$ 21,350,000	\$ 21,350,000
Refund 2010 and 2010D; Dining Facility (2019B)	2019B	2.25% - 5.0%	10/01/2049	41,395,000	38,825,000
Refund 2010C	2020A	5.0%	10/01/2026	11,180,000	2,040,000
Recreational Fields and Facilities	2021	4.0%	10/01/2050	8,420,000	8,345,000
Total UNCW General Revenue Bonds				82,345,000	70,560,000
Limited Obligation Bonds					
Student Housing-Seahawk Village & Seahawk Landing	2015	3.0% - 5.0%	06/01/2037	59,550,000	41,300,000
Student Housing-Seahawk Crossing & Parking Deck	2016	3.0% - 5.0%	06/01/2038	57,235,000	45,355,000
Total Limited Obligation Bonds				116,785,000	86,655,000
Bonds from Direct Placements					
Refund 2006A	2016	2.17%	10/01/2033	11,484,000	5,040,000
Refund 2011 and 2012	2020B	1.83%	01/01/2028	15,868,000	6,239,000
Total Bonds from Direct Placements				27,352,000	11,279,000
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements (principal only)				<u>\$ 226,482,000</u>	168,494,000
Plus: Unamortized Premium					14,773,567
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net					<u>\$ 183,267,567</u>

C. Notes from Direct Borrowings - The University was indebted for notes from direct borrowings for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
Energy Conservation Loan	Truist Bank	1.99%	03/01/2030	\$ 4,542,387	\$ 2,037,590
Energy Conservation Loan	The Huntington National Bank	3.42%	06/30/2033	6,846,011	3,814,300
Truist Hall	Truist Bank	2.99%	06/10/2029	1,014,649	684,350
Total Notes from Direct Borrowings				<u>\$ 12,403,047</u>	<u>\$ 6,536,240</u>

The University plans to refinance the notes maturing on June 10, 2029 with other long-term financing.

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2025, are as follows:

Annual Requirements								
Fiscal Year	Revenue Bonds Payable		Limited Obligation Bonds		Bonds from Direct Placements		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,765,000	\$ 2,778,537	\$ 5,565,000	\$ 3,532,225	\$ 3,176,000	\$ 224,115	\$ 799,266	\$ 186,041
2027	1,860,000	2,688,687	5,790,000	3,308,875	2,489,000	162,651	841,524	163,475
2028	2,325,000	2,592,038	6,015,000	3,078,575	2,368,000	115,661	893,399	139,843
2029	2,435,000	2,476,013	6,280,000	2,807,525	510,000	69,690	940,418	114,867
2030	2,560,000	2,354,438	6,575,000	2,524,425	523,000	57,656	1,544,969	74,455
2031-2035	14,700,000	9,832,056	37,045,000	8,419,850	2,213,000	104,629	1,516,664	89,334
2036-2040	20,125,000	6,318,975	19,385,000	1,231,450	-	-	-	-
2041-2045	12,085,000	3,341,150	-	-	-	-	-	-
2046-2050	12,335,000	1,153,050	-	-	-	-	-	-
2051	370,000	7,400	-	-	-	-	-	-
Total Requirements	\$ 70,560,000	\$ 33,542,344	\$ 86,655,000	\$ 24,902,925	\$ 11,279,000	\$ 734,402	\$ 6,536,240	\$ 768,015

E. Terms of Debt Agreements - The University's debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

The outstanding **Revenue Bonds Payable** of \$70,560,000 and **Bonds from Direct Placements** of \$11,279,000 (together, "General Revenue Bonds") contain provisions that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

The outstanding **Limited Obligation Bonds** (LOBs) of \$86,655,000 are obligations of the UNCW Corporation secured by revenues which include rentals payable by the University under leases and use agreements on the facilities financed and refinanced with the LOBs. The LOBs are further secured by a deed of trust on the property financed and refinanced with the LOBs. The outstanding LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. Additionally, the bonds become immediately due and payable if an event of default occurs under the leases or use agreements or under the deed of trust. The Trustee may also take property secured under the deed of trust held as security, including foreclosure on the property held as security.

Notes from Direct Borrowings - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for UNC System Guaranteed Energy Savings Installment Financing Agreements in relation to the outstanding notes from direct borrowing of \$5,851,890. These agreements also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days. Upon the occurrence of any event of default, the lender may declare the outstanding amount due and payable immediately. The

lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys' fees incurred.

UNCW has one outstanding note from direct borrowing of \$684,350 dated July 3, 2019, which is an obligation of UNCW Corporation Real Property I, LLC. It contains provisions that in the event of default, the lender may take any or all of the following actions: (1) declare all balances due immediately; (2) require additional pledged collateral; (3) take possession and foreclose upon the collateral; (4) exercise all rights and remedies available under the agreement or under applicable law; and (5) cease any obligation to advance funds.

Note 10 - Leases and Subscription-Based Information Technology Arrangements

A. Lessor Arrangements - The University leases buildings, land, and towers to external parties. The leases expire at various dates, and some have renewal options. Lease receivables and related deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year ended June 30, 2025, the University recognized operating revenues related to lessor arrangements totaling \$418,107, and nonoperating lease interest income totaling \$5,511. During the year the University did not recognize any variable payment amounts.

The University's lessor arrangements at June 30, 2025, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2025	Current Portion	Lease Terms ⁽¹⁾	Interest Rate/ Ranges
Lessor:					
Land	1	\$ 153,076	\$ 27,267	9 years	1.5%
Buildings	4	61,829	61,829	3 - 5 years	0.3% - 1.1%
General Infrastructure	4	214,966	48,506	4 - 9 years	1.1% - 3.5%
Total	9	\$ 429,871	\$ 137,602		

(1) The lease terms represent the range of remaining terms in each lease

B. Lessee Arrangements - The University has lease agreements for the right to use buildings and machinery and equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term. The expected payments are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate. During the year the University did not recognize any variable payment amounts.

The University's lessee arrangements at June 30, 2025, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2025	Current Portion	Lease Terms ⁽¹⁾	Interest Rate Ranges
Lessee:					
Right-to-Use Leased Buildings	3	\$ 5,015,682	\$ 1,878,280	3 - 25 years	2.5% - 3.5%
Right-to-Use Leased Machinery and Equipment	2	477,069	175,826	4 - 8 years	0.7% - 1.8%
Total	5	\$ 5,492,751	\$ 2,054,106		

(1) The lease terms represent the range of remaining terms in each lease.

C. Subscription-Based Information Technology Arrangements (SBITAs) - The University enters SBITAs for the right to use information technology software and cloud computing arrangement (network) assets from both external and related parties. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the subscription liability excluded the following variable payment amounts: payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of \$66,681 for these changes in variable payments not previously included in the measurement of the subscription liability.

The University's SBITAs at June 30, 2025, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2025	Current Portion	SBITA Terms and Conditions	Interest Rate Ranges
Right-to-Use Subscription Assets	46	\$ 4,961,941	\$ 2,774,321	1 - 6 years	1.9% - 3.5%

D. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2025, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		SBITA Liabilities	
	Principal	Interest	Principal	Interest
2026	\$ 2,054,106	\$ 146,781	\$ 2,774,321	\$ 138,387
2027	2,298,813	73,498	1,389,652	61,809
2028	344,062	23,972	592,193	21,878
2029	145,781	19,283	205,775	7,196
2030	30,216	15,784	-	-
2031-2035	162,840	67,160	-	-
2036-2040	184,323	45,676	-	-
2041-2045	208,641	21,359	-	-
2046-2050	63,969	1,197	-	-
Total Requirements	\$ 5,492,751	\$ 414,710	\$ 4,961,941	\$ 229,270

Note 11 - Net Position

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (34,866,708)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(238,599,571)
Effect on Unrestricted Net Position	(273,466,279)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	225,387,434
Total Unrestricted Net Position	\$ (48,078,845)

See Notes 14 and 15 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

Net investment in capital assets has been significantly affected by a transaction that resulted in the acquisition of capital assets and the recognition of deferred inflows of resources as shown in the following table:

	Amount
Carrying Value of Capital Assets Acquired Under Public-Private Partnership	\$ 126,151,926
Deferred Inflows Under Public-Private Partnership	<u>(118,572,218)</u>
Net Effect on Net Investment in Capital Assets	7,579,708
Total Net Investment in Capital Assets Before Recognition of Public-Private Partnership	<u>541,393,394</u>
Total Net Investment in Capital Assets	<u><u>\$ 548,973,102</u></u>

See Note 7 for detailed information regarding the amortization of the deferred inflows of resources under the public-private partnership.

Note 12 - Revenues

A summary of discounts and allowances by revenue classification is presented as follows:

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 178,475,574</u>	<u>\$ 23,347,555</u>	<u>\$ 467,506</u>	<u>\$ 154,660,513</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$ 37,580,158	\$ 3,441,641	\$ 40,607	\$ 34,097,910
Dining	25,365,727	2,675,070	28,676	22,661,981
Parking	5,036,419	-	4,744	5,031,675
Recreation Services	4,191,367	-	26,140	4,165,227
Bookstore	1,039,002	-	-	1,039,002
Other	2,517,617	-	39,372	2,478,245
Sales and Services of Education and Related Activities	<u>5,354,602</u>	<u>-</u>	<u>2,957</u>	<u>5,351,645</u>
Total Sales and Services, Net	<u>\$ 81,084,892</u>	<u>\$ 6,116,711</u>	<u>\$ 142,496</u>	<u>\$ 74,825,685</u>
Nonoperating Revenues:				
Noncapital Contributions, Net	<u>\$ 33,441,925</u>	<u>\$ -</u>	<u>\$ 224,893</u>	<u>\$ 33,217,032</u>

Note 13 - Operating Expenses by Function

The University's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 159,002,840	\$ 24,848,231	\$ 1,008,761	\$ 120,988	\$ -	\$ 184,980,820
Research	14,995,105	8,714,142	422,758	-	-	24,132,005
Public Service	4,479,428	2,515,459	194,931	-	-	7,189,818
Academic Support	29,874,553	12,660,727	44,661	726	-	42,580,667
Student Services	15,829,990	4,949,854	192,623	499	-	20,972,966
Institutional Support	35,527,576	9,711,383	205,325	847	-	45,445,131
Operations and Maintenance of Plant	23,971,772	7,099,055	-	6,330,892	-	37,401,719
Student Financial Aid	-	-	37,228,444	-	-	37,228,444
Auxiliary Enterprises	22,194,529	51,381,637	1,535,969	3,394,001	-	78,506,136
Depreciation/Amortization	-	-	-	-	30,705,852	30,705,852
Total Operating Expenses	\$ 305,875,793	\$ 121,880,488	\$ 40,833,472	\$ 9,847,953	\$ 30,705,852	\$ 509,143,558

Note 14 - Retirement Plans

A. Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, LEAs, and certain proprietary component units along with charter schools that elect to join the Retirement System. Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions

that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2025 was 16.79% of covered payroll. Plan members' contributions to the pension plan were \$5,713,638, and the University's contributions were \$15,988,664 for the year ended June 30, 2025.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2024 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.ncosc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2025, the University reported a liability of \$71,900,893 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total pension liability to June 30, 2024. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the University's proportion was 0.48527%, which was an increase of 0.02938 from its proportion measured as of June 30, 2023, which was 0.45589%.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2023
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity factor.

** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e., teacher, general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2023 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2024 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
	Current	
1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$131,894,217	\$ 71,900,893	\$ 22,427,607

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2025, the University recognized pension expense of \$21,967,094. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 6,479,519	\$ 212,548
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	11,856,117	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,922,433	-
Contributions Subsequent to the Measurement Date	15,988,664	-
Total	\$ 37,246,733	\$ 212,548

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year Ending June 30:	Amount
2026	\$ 6,955,578
2027	15,665,677
2028	(306,623)
2029	(1,269,111)
Total	\$ 21,045,521

- B. Defined Contribution Plan** - The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Faculty and staff of the University may join the ORP instead of TSERS. The ORP is administered by the UNC System.

Benefits are provided by means of contracts issued and administered by the privately-operated Teachers' Insurance and Annuity Association. Participants' eligibility and contributory requirements are established in General Statute 135-5.1 and may be amended only by the North Carolina General Assembly. Participants are always fully vested in their own contributions to the plan and their investment earnings. Participants are fully vested in the University's contributions and earnings after five years of participating in the ORP.

Participants contribute 6% of compensation and the University contributes 6.84%. For the year ended June 30, 2025, the University had a total payroll of \$228,449,061, of which \$104,497,205 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$6,269,832 and \$7,147,609, respectively. The amount of pension expense recognized in the current year related to ORP is \$6,742,689, equal to the employer contributions less forfeitures of \$404,920.

Note 15 - Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2024 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.ncosc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 *Annual Comprehensive Financial Report*.

B. Plan Descriptions
1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing,

multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 16. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The University's contractually-required contribution rate for the year ended June 30, 2025 was 6.99% of covered payroll. The University's contributions to the RHBF were \$13,960,743 for the year ended June 30, 2025.

In fiscal year 2023, the Plan transferred \$35 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2025, the University recognized noncapital contributions for RHBF of \$91,278.

2. Disability Income

Plan Administration: As discussed in Note 16, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the State's reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial

benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after: (1) reaching the age of 65 and completing five years of membership service; (2) reaching the age of 60 and completing 25 years of creditable service; or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2025 was 0.13% of covered payroll. The University's contributions to DIPNC were \$259,642 for the year ended June 30, 2025.

C. Net OPEB Liability (Asset)

Retiree Health Benefit Fund: At June 30, 2025, the University reported a liability of \$300,017,846 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the University's proportion was 0.88208%, which was an increase of 0.00855 from its proportion measured as of June 30, 2023, which was 0.87353%.

Disability Income Plan of North Carolina: At June 30, 2025, the University reported an asset of \$309,439 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The University's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the University's proportion was 0.93980%, which was an increase of 0.02545 from its proportion measured as of June 30, 2023, which was 0.91435%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2024 utilizing update procedures incorporating the actuarial assumptions.

Notes to the Financial Statements

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2023	12/31/2023
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2030	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% through 2030 grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	Premium adjustments for IRA impact through 2027, 6.17% in 2028 down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Administrative***	3.0%	N/A

* Salary increases include 3.25% inflation and productivity factor.

** Investment rate of return is net of OPEB plan investment expense, including inflation.

*** Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e., teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e., disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2024 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2023 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.93% at June 30, 2024 compared to 3.65% at June 30, 2023. The projection of cash flow used to

determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2024 and at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the University's proportionate share of the net OPEB liability (asset) of the plans, as well as what each plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability (Asset)			
	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
RHBF	\$ 356,943,597	\$ 300,017,846	\$ 254,311,450
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$ (275,916)	\$ (309,439)	\$ (344,672)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability			
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 4% - 5.17%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 5% - 6.17%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 6% - 7.17%, Administrative - 4%)
RHBF	\$ 247,643,198	\$ 300,017,846	\$ 367,832,825

The sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2025, the University recognized OPEB expense as follows:

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ 17,749,089
DIPNC	142,277
Total OPEB Expense	\$ 17,891,366

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Employer Balances of Deferred Outflows of Resources
Related to OPEB by Classification:**

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 2,445,321	\$ 124,749	\$ 2,570,070
Changes of Assumptions	72,256,549	4,614	72,261,163
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,285,625	242,929	1,528,554
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	11,350,959	-	11,350,959
Contributions Subsequent to the Measurement Date	<u>13,960,743</u>	<u>259,642</u>	<u>14,220,385</u>
Total	<u>\$ 101,299,197</u>	<u>\$ 631,934</u>	<u>\$ 101,931,131</u>

**Employer Balances of Deferred Inflows of Resources
Related to OPEB by Classification:**

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ -	\$ 355,921	\$ 355,921
Changes of Assumptions	39,116,202	144,165	39,260,367
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>764,720</u>	<u>56,209</u>	<u>820,929</u>
Total	<u>\$ 39,880,922</u>	<u>\$ 556,295</u>	<u>\$ 40,437,217</u>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to

RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

**Schedule of the Net Amount of the Employer's
Balances of Deferred Outflows of Resources and
Deferred Inflows of Resources That will be
Recognized in OPEB Expense:**

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2026	\$ 2,183,734	\$ (142,856)
2027	10,338,072	(100,600)
2028	20,238,592	29,057
2029	14,697,134	18,262
2030	-	12,133
Thereafter	-	1
Total	<u>\$ 47,457,532</u>	<u>\$ (184,003)</u>

Note 16 - Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. 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.

A. Employee Benefit Plans

1. State Health Plan

University employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 15, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the University for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 15, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the Office of State Fire Marshal within the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The University pays premiums to the Office of State Fire Marshal for the coverage.

The University is required by UNC Policy 1300.12 – Policy on Insurance Coverage to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a \$25,000 per occurrence deductible.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$5,000,000 in the aggregate per fiscal year via contract with private insurance companies. The University pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible.

4. Statewide Workers' Compensation Program

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

Additional details on the state-administered risk management programs are disclosed in the State's *Annual Comprehensive Financial Report*, issued by the Office of the State Controller.

5. Other Insurance Held by the University

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Policies include cyber, boiler and machinery, crime, oceanographic equipment, watercraft and watercraft pollution coverage, and professional liability.

Note 17 - Commitments and Contingencies

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$6,989,736 and on other purchases were \$14,790,960 at June 30, 2025.
- B. Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.
- C. Other Contingent Receivables** - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

<u>Purpose</u>	<u>Amount</u>
Endowment Pledges	<u>\$ 2,443,698</u>

Note 18 - Related Parties

Foundations - There are four separately incorporated nonprofit foundations associated with the University. These foundations are the UNCW Student Aid Association, Inc. (Student Aid), the Foundation of the University of North Carolina at Wilmington, Inc. (Foundation), the Alumni Association of the University of North Carolina at Wilmington (Alumni), and the Friends of the University of North Carolina at Wilmington, Inc. (Friends). The University maintains a cash balance for each of the four foundations. This fiduciary relationship meets certain criteria of GASB Statement No. 84 and the cash balances and related activities are reported as custodial funds in the fiduciary fund financial statements.

Student Aid fosters and promotes the education of student athletes by obtaining donations for the scholarship program at the University. The association also raises funds for the improvement and construction of physical facilities used by the University for athletic purposes, for the University's athletic scholarship fund, and to provide operational and supplementary support for the entire sports program. In addition, the association exists to encourage a fraternal spirit of loyalty and interest in the University by alumni, friends, and benefactors. Direct support from Student Aid totaled \$1,857,296 for the year ended June 30, 2025. The University maintains a cash balance for Student Aid which was \$3,628,757 as of June 30, 2025.

The Foundation assists the University by soliciting and receiving private gifts from individuals, corporations, and other organizations. These gifts support the University by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds for academic programs. In addition, the Foundation can accept and liquidate non-cash gifts for the University and acquire property on the University's behalf. The Foundation's direct support to the University totaled \$278,004 for the year ended June 30, 2025. The University maintains a cash balance for the Foundation which was \$608,267 as of June 30, 2025.

Alumni serves to connect and involve alumni, students, and friends in the promotion and advancement of the University. Occasionally donations are made from this association to the University. This support totaled \$1,650 for the year ended June 30, 2025. The University maintains a cash balance for the Alumni which was \$402,872 as of June 30, 2025.

Friends contributes gifts to the University based on grant requests and may at a donor's request, contribute to a University academic scholarship fund. This support totaled \$17,487 for the year ended June 30, 2025. The University maintains a cash balance for Friends which was \$15,936 as of June 30, 2025.

All of these foundations are self-sustaining; however, the University does support their operations through donated administrative services. The University's proprietary fund financial statements do not include the assets, liabilities, net assets, or operational transactions of the foundations, except for support from each organization to the University. Separate financial statements for these foundations may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5918, or by calling (910) 962-2525.

Note 19 - Blended Component Units

Condensed combining information for the University's blended component units for the year ended June 30, 2025, is presented as follows:

**Condensed Statement of Net Position
Proprietary Fund
June 30, 2025**

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
ASSETS							
Current Assets	\$ 304,159,007	\$ -	\$ -	\$ -	\$ 620,089	\$ -	\$ 304,779,096
Capital Assets, Net	865,534,522	-	-	1,929,054	3,833	(3,833)	867,463,576
Other Noncurrent Assets	238,724,279	1,621,368	-	-	-	-	240,345,647
Component Unit Receivable from Primary Government	-	-	93,507,363	664,562	-	(94,171,925)	-
Total Assets	1,408,417,808	1,621,368	93,507,363	2,593,616	623,922	(94,175,758)	1,412,588,319
TOTAL DEFERRED OUTFLOWS OF RESOURCES							
	143,776,731	-	4,121,936	-	-	(4,121,936)	143,776,731
LIABILITIES							
Current Liabilities	39,034,252	846	5,852,954	25,773	13,098	-	44,926,923
Long-Term Liabilities, Net	480,102,776	-	87,654,409	658,577	-	-	568,415,762
Other Noncurrent Liabilities	4,716,817	-	-	-	-	-	4,716,817
Primary Government Payable to Component Unit	94,171,925	-	-	-	-	(94,171,925)	-
Total Liabilities	618,025,770	846	93,507,363	684,350	13,098	(94,171,925)	618,059,502
TOTAL DEFERRED INFLOWS OF RESOURCES							
	160,237,957	-	4,121,936	-	-	(4,121,936)	160,237,957
NET POSITION							
Net Investment in Capital Assets	547,063,836	-	-	1,909,266	-	-	548,973,102
Restricted - Nonexpendable	91,552,756	999,796	-	-	-	-	92,552,552
Restricted - Expendable	183,914,632	620,726	-	-	85,424	-	184,620,782
Unrestricted	(48,600,412)	-	-	-	525,400	(3,833)	(48,078,845)
Total Net Position	\$ 773,930,812	\$ 1,620,522	\$ -	\$ 1,909,266	\$ 610,824	\$ (3,833)	\$ 778,067,591

* The elimination net position amount of \$3,833 is a result of the Research Foundation having a lower capitalization threshold than the University.

**Condensed Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2025**

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
OPERATING REVENUES							
Student Tuition and Fees, Net	\$ 154,660,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154,660,513
Federal Grants and Contracts	11,378,888	-	-	-	-	-	11,378,888
State and Local Grants and Contracts	8,635,822	-	-	-	-	-	8,635,822
Nongovernmental Grants and Contracts	4,532,899	-	-	-	-	-	4,532,899
Sales and Services, Net	74,547,581	-	4,075,048	21,162	276,367	(4,094,473)	74,825,685
Interest Earnings on Loans	8,346	-	-	-	-	-	8,346
Other Operating Revenues	8,799,381	3,132	19,120	70,174	539,575	(564,097)	8,867,285
Total Operating Revenues	262,563,430	3,132	4,094,168	91,336	815,942	(4,658,570)	262,909,438
OPERATING EXPENSES							
Operating Expenses	477,991,983	87,205	19,120	69,613	855,307	(585,522)	478,437,706
Depreciation/Amortization	30,705,852	-	-	-	-	-	30,705,852
Total Operating Expenses	508,697,835	87,205	19,120	69,613	855,307	(585,522)	509,143,558
Operating Income (Loss)	(246,134,405)	(84,073)	4,075,048	21,723	(39,365)	(4,073,048)	(246,234,120)
NONOPERATING REVENUES (EXPENSES)							
State Appropriations	221,143,329	-	-	-	-	-	221,143,329
Student Financial Aid	38,836,776	-	-	-	-	-	38,836,776
Federal Aid - COVID-19	98,787	-	-	-	-	-	98,787
Noncapital Contributions, Net	33,215,192	-	-	-	1,840	-	33,217,032
Investment Income, Net	31,590,662	167,293	-	-	-	-	31,757,955
Interest and Fees on Debt	(6,830,820)	-	(4,075,048)	(21,164)	-	4,075,048	(6,851,984)
Other Nonoperating Expenses	(346,035)	-	-	-	-	-	(346,035)
Net Nonoperating Revenues (Expenses)	317,707,891	167,293	(4,075,048)	(21,164)	1,840	4,075,048	317,855,860
Capital Contributions	17,571,605	-	-	-	-	-	17,571,605
Additions to Endowments	4,444,960	-	-	-	-	-	4,444,960
Total Other Revenues	22,016,565	-	-	-	-	-	22,016,565
Increase (Decrease) in Net Position	93,590,051	83,220	-	559	(37,525)	2,000	93,638,305
NET POSITION							
Net Position, July 1, 2024 (as Restated)	680,340,761	1,537,302	-	1,908,707	648,349	(5,833)	684,429,286
Net Position, June 30, 2025	\$ 773,930,812	\$ 1,620,522	\$ -	\$ 1,909,266	\$ 610,824	\$ (3,833)	\$ 778,067,591

* The elimination net position amount of \$3,833 is a result of Research Foundation having a lower capitalization threshold than the University.

**Condensed Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2025**

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Total
Net Cash Provided (Used) by Operating Activities	\$ (219,011,113)	\$ -	\$ 9,091,875	\$ 46,165	\$ (20,538)	\$ (209,893,611)
Cash Provided by Noncapital Financing Activities	287,691,456	-	-	-	-	287,691,456
Net Cash Used by Capital Financing and Related Financing Activities	(28,618,167)	-	(9,091,875)	(46,165)	-	(37,756,207)
Net Cash Provided by Investing Activities	69,246,504	-	-	-	-	69,246,504
Net Increase (Decrease) in Cash and Cash Equivalents	109,308,680	-	-	-	(20,538)	109,288,142
Cash and Cash Equivalents, July 1, 2024	224,972,359	-	-	-	615,707	225,588,066
Cash and Cash Equivalents, June 30, 2025	\$ 334,281,039	\$ -	\$ -	\$ -	\$ 595,169	\$ 334,876,208

Note 20 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2025, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risk Disclosures

GASB Statement No. 101 updates the recognition, measurement, and disclosure requirements for compensated absences. This Statement supersedes GASB Statement No. 16, *Accounting for Compensated Absences*, which was issued in 1992, and aims to better meet the information needs of financial statement users by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. Lastly, the model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

GASB Statement No. 102 improves financial reporting by providing users of financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

Note 21 - Net Position Restatement

As of July 1, 2024, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2024 Net Position as Previously Reported	\$681,810,783
Restatement:	
Restatement of Compensated Absenses due to	
Implementation of GASB Statement No. 101	<u>2,618,503</u>
July 1, 2024 Net Position as Restated	<u>\$684,429,286</u>



Required Supplementary Information

University of North Carolina Wilmington
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years*

Exhibit C-1

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net Pension Liability	0.48527%	0.45589%	0.44183%	0.43833%	0.41690%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 71,900,893	\$ 76,005,903	\$ 65,577,460	\$ 20,525,245	\$ 50,369,845
Covered Payroll	\$ 88,938,234	\$ 80,425,967	\$ 74,947,672	\$ 71,602,114	\$ 68,928,811
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	80.84%	94.50%	87.50%	28.67%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.35%	82.97%	84.14%	94.86%	85.98%
	2020	2019	2018	2017	2016
Proportionate Share Percentage of Collective Net Pension Liability	0.42137%	0.38917%	0.37310%	0.35978%	0.35723%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 43,683,247	\$ 38,746,112	\$ 29,603,399	\$ 33,067,499	\$ 13,164,633
Covered Payroll	\$ 68,173,782	\$ 62,252,744	\$ 57,507,190	\$ 53,596,237	\$ 53,297,118
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	64.08%	62.24%	51.48%	61.70%	24.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%	94.64%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

University of North Carolina Wilmington
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years

Exhibit C-2

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 15,988,664	\$ 15,689,666	\$ 13,978,033	\$ 12,276,429	\$ 10,582,792
Contributions in Relation to the Contractually Determined Contribution	15,988,664	15,689,666	13,978,033	12,276,429	10,582,792
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 95,227,304	\$ 88,938,234	\$ 80,425,967	\$ 74,947,672	\$ 71,602,114
Contributions as a Percentage of Covered Payroll	16.79%	17.64%	17.38%	16.38%	14.78%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 8,940,067	\$ 8,378,558	\$ 6,710,846	\$ 5,739,218	\$ 4,904,056
Contributions in Relation to the Contractually Determined Contribution	8,940,067	8,378,558	6,710,846	5,739,218	4,904,056
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 68,928,811	\$ 68,173,782	\$ 62,252,744	\$ 57,507,190	\$ 53,596,237
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.78%	9.98%	9.15%

Note: Changes of benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

University of North Carolina Wilmington
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2025

Changes of Benefit Terms:

	<u>Cost of Living Increase</u>									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Teachers' and State Employees' Retirement System	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLA) in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017, and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016, received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

In December 2021 for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of September 1, 2021, received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each year for the plan. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 14 for more information on the specific assumptions for the plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of the TSERS actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined the TSERS experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the TSERS was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

University of North Carolina Wilmington
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Nine Fiscal Years*

Exhibit C-3
Page 1 of 2

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability	0.88208%	0.87353%	0.84893%	0.85417%	0.82024%
Proportionate Share of Collective Net OPEB Liability	\$ 300,017,846	\$ 232,772,119	\$ 201,593,584	\$ 264,070,324	\$ 227,540,712
Covered Payroll	\$ 187,490,597	\$ 172,709,595	\$ 161,743,441	\$ 153,900,045	\$ 148,430,764
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	160.02%	134.78%	124.64%	171.59%	153.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.79%	10.73%	10.58%	7.72%	6.92%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability	0.82035%	0.74397%	0.70267%	0.77946%	
Proportionate Share of Collective Net OPEB Liability	\$ 259,553,742	\$ 211,944,551	\$ 230,381,927	\$ 339,091,594	
Covered Payroll	\$ 145,968,903	\$ 135,553,502	\$ 124,750,663	\$ 118,788,130	
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	177.81%	156.35%	184.67%	285.46%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%	

University of North Carolina Wilmington
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Nine Fiscal Years*

Exhibit C-3
Page 2 of 2

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.93980%	0.91435%	0.89342%	0.85940%	0.84553%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (309,439)	\$ 243,181	\$ 265,775	\$ (140,374)	\$ (415,950)
Covered Payroll	\$ 187,490,597	\$ 172,709,595	\$ 161,743,441	\$ 153,900,045	\$ 148,430,764
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.17%	0.14%	0.16%	0.09%	0.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	114.99%	90.61%	90.34%	105.18%	115.57%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.83465%	0.78348%	0.76875%	0.72922%	
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (360,151)	\$ (237,990)	\$ (469,860)	\$ (452,846)	
Covered Payroll	\$ 145,968,903	\$ 135,553,502	\$ 124,750,663	\$ 118,788,130	
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.25%	0.18%	0.38%	0.38%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113.00%	108.47%	116.23%	116.06%	

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

University of North Carolina Wilmington
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

Exhibit C-4
Page 1 of 2

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 13,960,743	\$ 13,386,829	\$ 11,899,691	\$ 10,173,662	\$ 10,280,523
Contributions in Relation to the Contractually Determined Contribution	13,960,743	13,386,829	11,899,691	10,173,662	10,280,523
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 199,724,509	\$ 187,490,597	\$ 172,709,595	\$ 161,743,441	\$ 153,900,045
Contributions as a Percentage of Covered Payroll	6.99%	7.14%	6.89%	6.29%	6.68%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 9,603,470	\$ 9,152,250	\$ 8,200,987	\$ 7,252,952	\$ 6,652,135
Contributions in Relation to the Contractually Determined Contribution	9,603,470	9,152,250	8,200,987	7,252,952	6,652,135
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 148,430,764	\$ 145,968,903	\$ 135,553,502	\$ 124,750,663	\$ 118,788,130
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

University of North Carolina Wilmington
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

Exhibit C-4
Page 2 of 2

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 259,642	\$ 206,240	\$ 172,710	\$ 145,569	\$ 138,510
Contributions in Relation to the Contractually Determined Contribution	259,642	206,240	172,710	145,569	138,510
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 199,724,509	\$ 187,490,597	\$ 172,709,595	\$ 161,743,441	\$ 153,900,045
Contributions as a Percentage of Covered Payroll	0.13%	0.11%	0.10%	0.09%	0.09%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 148,431	\$ 204,356	\$ 189,775	\$ 474,053	\$ 487,031
Contributions in Relation to the Contractually Determined Contribution	148,431	204,356	189,775	474,053	487,031
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 148,430,764	\$ 145,968,903	\$ 135,553,502	\$ 124,750,663	\$ 118,788,130
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%

Note: Changes of benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

University of North Carolina Wilmington

Notes to Required Supplementary Information

Schedule of University Contributions

Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

For the Fiscal Year Ended June 30, 2025

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for one of four options of the RHBF. Out-of-pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Effective April 1, 2024, coverage of GLP-1 prescriptions for obesity management (GLP-1-AOM) was terminated.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. The reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019 and no further reimbursements may be issued.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 15 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2024 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.93%, from 3.65% as of June 30, 2023. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

For the actuarial valuation measured as of June 30, 2024 for DIPNC, the discount rate remained at 3%, unchanged from the rate as of June 30, 2023.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability.

The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

For the DIPNC actuarial valuation as of December 31, 2023, benefit payments expected to be issued after 36 months of disability to claimants who had at least five years of membership service as of July 31, 2007 were updated to include an offset (reduction to the DIPNC benefit) based on estimated Social Security benefits.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*.



Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
University of North Carolina Wilmington
Wilmington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of the University of North Carolina Wilmington (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 30, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Boliek
State Auditor

Raleigh, North Carolina

October 30, 2025

Ordering Information

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