

# Appalachian State University

Boone, 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

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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, Appalachian State University  
Dr. Heather Norris, Chancellor

Appalachian State University brings a wealth of educational opportunities to its students, as well as strong sports programs and a scenic campus. With reported revenues of \$734.7 million and expenses of \$632.7 million, maintaining proper financial control in daily operations is incredibly important.

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 Appalachian State University'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.

Obtaining a clean audit shows a commitment to responsible financial management. It also strengthens relationships between the public and government entities. I'm thankful to Appalachian State University staff for their assistance and cooperation throughout this audit.

Respectfully submitted,

Dave Boliek  
State Auditor



# REPORT SUMMARY

## Appalachian State University Financial Statement Audit

The Office of the State Auditor (OSA) is required<sup>1</sup> 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**.

### 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.

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.

### Quick Highlights

 **Revenues:**  
**\$734.7 Million**

**Expenses:**  
**\$632.7 Million**  

### 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.

<sup>1</sup> 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

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Board of Trustees  
Appalachian State University  
Boone, North Carolina

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Appalachian State University (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, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of Appalachian State University, as of June 30, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Appalachian State University Foundation, Inc., which represent 8.21 percent and 8.41 percent, respectively, of the assets and revenues of the University; nor the financial statements of Appalachian Real Estate Development Corporation, which represent 15.86 percent and 0.97 percent, respectively, of the assets and revenues of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

### Basis for Opinion

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 Appalachian State University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 December 9, 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

December 9, 2025





# **Management's Discussion and Analysis**

## Introduction

Appalachian State University (University) provides this Management's Discussion and Analysis (MD&A) as an overview of key financial activities and changes for the fiscal year ended June 30, 2025. This overview should be read alongside the full, audited financial statements and accompanying notes, which provide more detailed information.

Appalachian State University (the University) is a part of the University of North Carolina System a multi-campus component unit of the State of North Carolina and is included in the State's Annual Comprehensive Financial Report.

Even though they are legally separate organizations, the financial activities of the Appalachian State University Foundation, Inc. (the Foundation) and the Appalachian Real Estate Development Corporation (the Corporation) are combined with the University's financial statements. For reporting purposes, their operations are presented as part of the University's financial activities. This blending is reflected in the comparative Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). The statements include:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

These statements, along with the required supplementary information and notes, provide the essential details needed to understand the university's financial health and performance for the year.

## Financial Highlights

During fiscal year 2025, the University demonstrated strong financial performance and continued investment in strategic priorities. Total assets grew by 19.5%, or \$296.3 million, driven by increases in restricted cash, endowment investments, and construction in progress for major capital projects. Total liabilities rose by \$268.1 million, primarily due to new debt for student housing, an indoor practice facility, and obligations under a public private partnership utility infrastructure agreement. Net position improved across most categories, with significant gains in net investment in capital assets and restricted funds, while unrestricted net position remained negative because of pension and OPEB liabilities. Revenues increased by 9.1% totaling \$61.3 million, supported by state appropriations, contributions, and additions to endowments, while expenses rose by \$50.7 million, largely from salary increases and benefit costs.

## Adoption of New Accounting Standards

Effective for fiscal year 2025, the University implemented GASB Statement No. 101 *Compensated Absences*, which replaces GASB Statement No. 16. This new standard improves how liabilities for compensated absences (such as vacation and sick leave) are recognized, measured, and disclosed. The updated guidance introduces a new method that better reflects leave balances the University is responsible for. This approach is applied consistently across all types of

leave, improving comparability between organizations and enhances the reliability of reported liabilities. Upon implementation the University restated \$3.1 million in beginning balances related to compensated absences.

The University also implemented GASB Statement No. 102 *Certain Risk Disclosures*, which requires disclosures about risks that could significantly affect the University's financial position or operations. It focuses on two types of risks, concentration risk and constraints. Concentration risks occur when there is a lack of diversity in a major inflow or outflow of resources (for example reliance on a single revenue source). Constraints are limitations placed on the University by external parties. Disclosures are required if events or conditions have occurred or begun to occur that may expose the University to substantial financial impact. The University did not identify any concentration or constraint risks that required disclosure under the new standard.

Additional information regarding these new standards can be found in the notes to the financial statements (Notes 19 and 20).

### Condensed Statement of Net Position

The condensed Statement of Net Position below presents the University's year end balances for Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. This statement is like a balance sheet and shows the University's financial position at the fiscal year ending on June 30, 2025. Balances for fiscal year 2024 have been restated to correct a prior period error, and to implement the accounting standard on compensated absences as noted above. See Notes 19 and 20 for additional information.

#### Condensed Statement of Net Position

	Fiscal Year 2025	Fiscal Year 2024 (as Restated)*	\$ Change	Percent Change
<b>Assets</b>				
Current Assets	\$ 268,980,863	\$ 245,263,290	\$ 23,717,573	9.7%
Capital Assets, Net	1,065,705,679	965,351,510	100,354,169	10.4%
Other Noncurrent Assets	479,836,632	307,594,176	172,242,456	56.0%
<b>Total Assets</b>	<b>1,814,523,174</b>	<b>1,518,208,976</b>	<b>296,314,198</b>	<b>19.5%</b>
<b>Deferred Outflows of Resources</b>	<b>199,101,083</b>	<b>154,080,290</b>	<b>45,020,793</b>	<b>29.2%</b>
<b>Liabilities</b>				
Current Liabilities	83,174,119	68,598,085	14,576,034	21.2%
Long-Term Liabilities, Net	1,013,488,884	758,646,852	254,842,032	33.6%
Other Noncurrent Liabilities	5,798,231	7,087,849	(1,289,618)	(18.2%)
<b>Total Liabilities</b>	<b>1,102,461,234</b>	<b>834,332,786</b>	<b>268,128,448</b>	<b>32.1%</b>
<b>Deferred Inflows of Resources</b>	<b>149,704,853</b>	<b>181,622,055</b>	<b>(31,917,202)</b>	<b>(17.6%)</b>
<b>Net Position</b>				
Net Investment in Capital Assets	573,224,206	527,435,367	45,788,839	8.7%
Restricted - Nonexpendable	133,835,983	122,189,273	11,646,710	9.5%
Restricted - Expendable	236,201,713	192,330,728	43,870,985	22.8%
Unrestricted	(181,803,732)	(185,620,943)	3,817,211	2.1%
<b>Total Net Position</b>	<b>\$ 761,458,170</b>	<b>\$ 656,334,425</b>	<b>\$ 105,123,745</b>	<b>16.0%</b>

\*Per GASB 100, amounts were restated for prior year error corrections only. See Note 20 for details.

## Total Assets

Assets are financial resources that contribute to an increase in the University's net position. These resources are expected to be converted into cash, utilized in operations, or are required to meet financial obligations as they come due. Total assets increased by 19.5% representing a \$296.3 million change. The most significant changes in total assets during the reporting period were primarily attributable to changes in restricted cash and cash equivalents, noncurrent receivables, noncurrent investments, and work in progress.

Current restricted cash and cash equivalents increased by \$13.5 million or 32.03%. \$8.3 million of this difference is related to a greater amount of cash being reclassified from noncurrent to current to pay for capital contracts and retainage due within the next year. An additional \$1.9 million of the increase is related to cash for research and public service contracts and grants. Lastly, restricted current cash balances for the Foundation increased by \$2.7 million related to increased contributions available for current activities.

Noncurrent restricted cash and cash equivalents increased by \$121.7 million mostly due to the issuance of notes payable by the Corporation. The proceeds from the borrowing, totaling \$125.0 million, will fund the construction of a student housing facility. As of June 30, \$115.6 million in proceeds remained in the construction fund. A more detailed description of this project is included in the capital assets and debt admiration section.

Noncurrent receivables are mostly made up of pledges receivable for the Foundation and intergovernmental receivables, which increased by \$16.4 million. This is mostly attributable to increases in intergovernmental receivables, which added \$18.6 million. This increase is related to recognizing federal energy tax credits receivable associated with utility infrastructure assets constructed under a Build Transfer Agreement (BTA) between the University and a private operator. Under the BTA, the operator constructs utility assets, which are transferred to the University when they are placed into service. The University is contractually required to file and claim the tax credits upon verification by independent accounting firms. Based on eligibility criteria under federal tax regulations, such as qualified recipient status, timing of asset completion, and documented costs, the University can accurately calculate the amount of the credits. Based on the documentation from its accounting firm the University is reasonably assured the credits will be received, meaning a receivable could be recognized at year-end.

Increases in balances for noncurrent investments were primarily the result of gains in endowment investment balances held by the Foundation. Of the \$34.4 million increase, \$28.8 was attributable to the Foundation's holdings resulting from strong investment returns and new contributions. Approximately \$4.5 million of the increase is related to the University's invested endowed professorship funds.

Balances in construction in progress increased by \$70.7 million mostly due to work completed on several major capital improvement projects not yet placed into service. Notable additions which include accruals for accounts payable and retainage were recorded for track, tennis, and softball facilities at \$3.9 million, Duncan Hall at \$17.0 million, Peacock Hall at \$5.9 million, Wey Hall at \$11.8 million, Innovation Campus at \$3.0 million, Mountaineer Ridge student housing at \$10.6 million, and the Hickory Campus at \$12.7. An additional \$4.4 million for multiple smaller projects including utility infrastructure, and \$1.4 million in work in progress for equipment in the process of being assembled contribute to the additions. Increases were offset by decreases for projects placed into service totaling \$2.1 million. These investments reflect the institution's ongoing commitment to infrastructure development and modernization.

### Deferred Outflows of Resources

Deferred outflows of resources are like prepayments for future benefits. They represent costs that have been incurred but will be recognized as expenses in future periods. These items do not meet the definition of assets, but they still provide value over time. Including them helps present a more accurate picture of the University's financial position. Total deferred outflows increased by \$45.0 million with significant changes for occurring in deferred outflows related to pensions and other post-employment benefits (OPEB).

Deferred outflows of resources related to pensions decreased significantly, falling from \$78.2 million in the prior year to \$63.7 million representing a reduction of \$14.5 million, or 18.5%. This decline was primarily driven by the difference between projected and actual investment earnings on plan assets.

In contrast, deferred outflows for OPEB plans increased by \$60.3 million over the prior year. The most significant change was for the Retiree Health Benefit Fund (RHBF) where deferred outflows rose \$60.4 million, mainly from changes of assumptions adding \$58.9 million and fiscal year 2025 contributions of \$18.3 million. These amounts were partially offset by reversing prior-year contributions totaling \$17.3 million.

### Total Liabilities

Total liabilities represent the University's financial obligations as of the end of the fiscal year. This includes both current liabilities, those due within one year, and long-term liabilities, which extend beyond one year. In total, balances increased by \$268.1 million over the prior year. Current liabilities increased \$14.6 million and long-term liabilities increased \$254.8 million. The most significant changes were in current accounts payable and accrued liabilities and long-term liabilities related to the issuance of bonds and notes, OPEB, and an Availability Payment Arrangement.

Current accounts payable and accrued liabilities increased by \$10.6 million. Changes can be attributed to three key components: an accounts payable accrual for Project Kitty Hawk (PKH) of \$1.9 million, increased payables for contracts related to capital totaling \$6.2 million, and contract retainage on capital projects amounting to \$1.3 million.

Increased payables for PKH represent growth in the online program. This program is funded by start-up grants received from Project Kitty Hawk Inc, a component unit of the State of North Carolina. PKH works with campuses to establish online programs that target adult learners. The initial funding is repaid as tuition revenues are earned through enrollment. The University is in its second year of PKH, and the increased payables represent the support needed to continue to grow the program.

Revenue bonds payable increased from \$207.4 million to \$215.1 million over the prior year representing a \$7.7 million change. This increase was mostly related to the issuance of \$17.5 million in bonds with a \$1.9 million premium for a new Indoor Practice Facility. These proceeds along with a \$6.0 million equity contribution were deposited into a construction fund for the project. This increase in debt was offset by the payment of principal on existing direct placements.

Notes from direct borrowing increased significantly by \$118.4 million related to a \$125.0 million borrowing by the Corporation for the construction of an 850-bed student housing facility on campus property called Mountaineer Ridge. The borrowing has a 5-year term based on a 30-year amortization. Upon maturity the University and Corporation will review all outstanding debt on these facilities based on economic conditions to consider refinancing options.

Financed purchase agreement increased by \$53.2 million and is associated with the recognition of an Availability Payment Arrangement (APA) established by a Build Transfer Agreement (BTA) and a



Long-Term Use Agreement (LTUA) for energy utility assets. Under these two agreements utility assets were developed and constructed by a private operator and subsequently transferred to the University. Under the LTUA, the private operator retains responsibility for operating and maintaining the assets. In accordance with GASB Statement No. 94, a long-term liability and assets equal to the present value of future availability payments is recognized. The assets include: a thermal utility system with a useful life of 50 years and a value of \$43.7 million; wind energy assets with a useful life of 25 years and a value of \$7.1 million; and solar energy assets with a useful life of 25 years and a value of \$2.4 million. A corresponding \$53.2 million liability offsets the value of the assets.

The increase in the Net OPEB liability of \$87.0 is mostly related to changes in the Retiree Health Benefit Fund (RHBF). The RHBF increased by \$87.3 million from \$286.0 million in 2024 to \$373.3 million at the end of 2025. The increase reflects overall valuation effects recognized through OPEB expense of \$16.8 million and new deferrals recorded for changes of assumptions, change in proportion, and investment earnings differences. 2025 employer contributions after the measurement date of \$18.3 million were recorded as deferred outflows and therefore do not reduce the liability in the current year.

### **Deferred Inflows of Resources**

Deferred inflows of resources are like future income that the University has received or earned but that will be recognized as revenue in future periods. This presentation helps ensure that revenues are matched with the periods in which they are earned. Overall, deferred inflows decreased by \$31.9 million. The most significant change was related to deferred inflows for OPEB.

The overall decrease in Deferred inflows for OPEB totaled \$28.2 million mostly in the RHBF where amortization of prior-year balances outpaced new additions. Within the plan itself the largest change was \$27.6 million related to changes of assumptions for plan participants.

### **Net Position**

Net position consists of net investment in capital assets, restricted nonexpendable, restricted expendable, and unrestricted net position. It represents the balance remaining after liabilities and deferred inflows of resources are subtracted from assets and deferred outflows of resources. Note 1N to the financial statements provides additional information about Net Position classifications.

Net investment in capital assets increased by \$45.8 million over the prior year representing an 8.7% change. This is mostly due to the continued investment by the State and University in capital infrastructure. See also discussion above detailing increases in CIP and general infrastructure related to the APA.

Restricted nonexpendable net position primarily consists of loan funds and endowment gifts with specific restrictions on spending the principal balance. True endowments increased by \$11.7 million because of increases in contributions to the Foundation.

Restricted expendable net position is the net amount of assets, deferred outflows, liabilities, and deferred inflows that are restricted for use or a specific purpose. This caption reflects the most significant increase with funds restricted for professorships, scholarships, research, and other adding \$17.9 million in fund balance. Strong earnings in funds invested contributed to this increase. Fund balances restricted for capital improvements also increased significantly by \$25.4 million. Like changes in net investments in capital assets funds provided for capital infrastructure contribute to the increase in addition to Federal tax credits receivable related to the district energy project outlined in the discussion of changes in receivables above.

Unrestricted net position is the remaining balance of assets plus deferred outflows less liabilities and deferred inflows that are not classified as net investment in capital assets or restricted. Unrestricted net position is presented as a negative balance due to the University's proportionate share in the State's pension and other postemployment benefits plans. For the OPEB plans, the State has elected to fund net long-term liability balances as they come due rather than when incurred. Unrestricted fund balances increased slightly by \$3.8 million.

## Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position (condensed, comparative table presented below) presents the University's revenues earned and expenses incurred throughout the fiscal year. The change in net position from year-to-year is an indicator of the financial condition of the institution.

### Condensed Statement of Revenues, Expenses, and Changes in Net Position

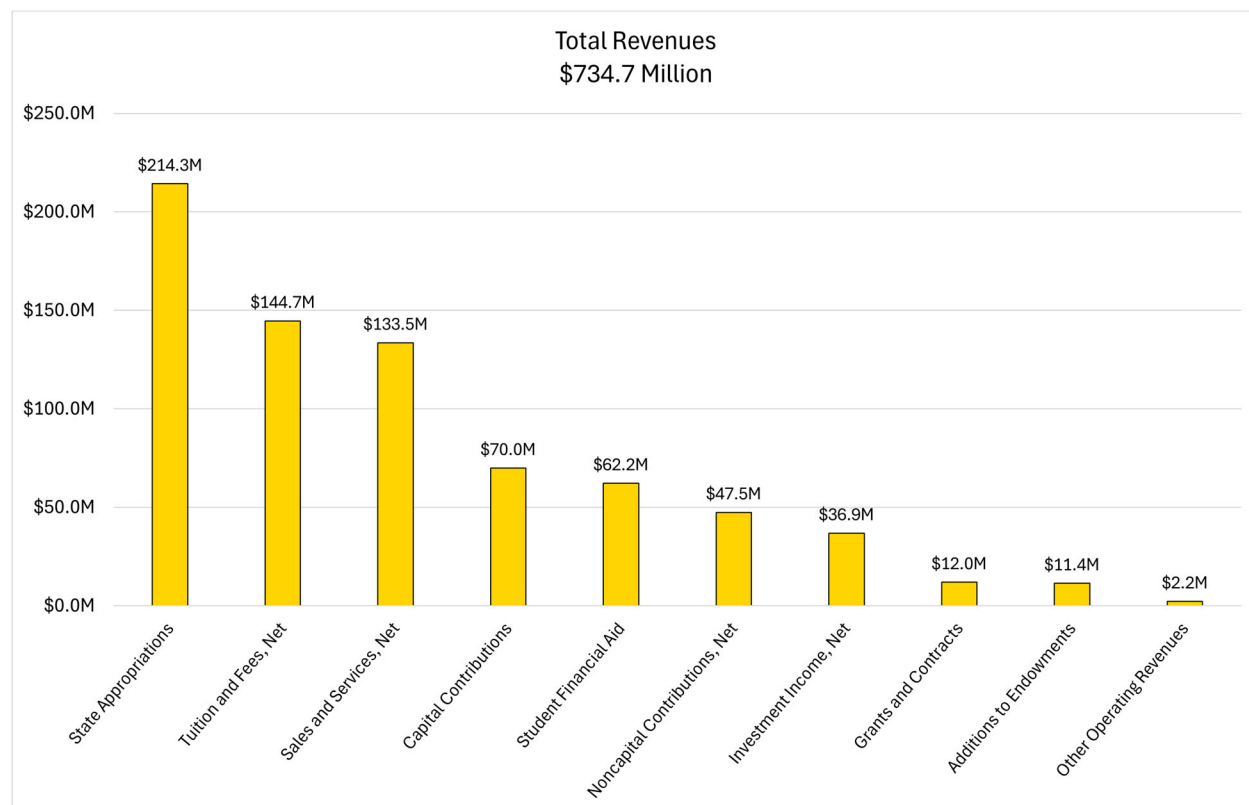
	Fiscal Year 2025	Fiscal Year (as Restated)	\$ Change	Percent Change
<b>Operating Revenues</b>				
Tuition and Fees, Net	\$ 144,681,040	\$ 157,478,269	\$ (12,797,229)	(8.1%)
Grants and Contracts	11,971,276	14,261,591	(2,290,315)	(16.1%)
Sales and Services, Net	133,558,156	131,025,545	2,532,611	1.9%
Other Operating Revenues	2,257,954	3,957,075	(1,699,121)	(42.9%)
<b>Total Operating Revenues</b>	<b>292,468,426</b>	<b>306,722,480</b>	<b>(14,254,054)</b>	<b>(4.6%)</b>
Salaries and Benefits	393,556,675	351,768,776	41,787,899	11.9%
Supplies and Services	149,411,916	141,806,997	7,604,919	5.4%
Scholarships and Fellowships	25,581,565	26,935,460	(1,353,895)	(5.0%)
Utilities	11,553,699	11,898,705	(345,006)	(2.9%)
Depreciation / Amortization	41,291,603	38,683,027	2,608,576	6.7%
<b>Operating Expenses</b>	<b>621,395,458</b>	<b>571,092,965</b>	<b>50,302,493</b>	<b>8.8%</b>
<b>Operating Loss</b>	<b>(328,927,032)</b>	<b>(264,370,485)</b>	<b>(64,556,547)</b>	<b>24.4%</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	214,261,461	201,805,226	12,456,235	6.2%
Student Financial Aid	62,227,622	43,703,008	18,524,614	42.4%
Noncapital Contributions, Net	47,463,209	40,138,011	7,325,198	18.3%
Investment Income, Net	36,878,227	33,492,749	3,385,478	10.1%
Interest and Fees on Debt	(10,829,611)	(10,902,026)	72,415	(0.7%)
Other Nonoperating Revenues (Expenses)	(490,008)	542,235	(1,032,243)	(190.4%)
<b>Net Nonoperating Revenues</b>	<b>349,510,900</b>	<b>308,779,203</b>	<b>40,731,697</b>	<b>13.2%</b>
<b>Income Before Other Revenues</b>	<b>20,583,868</b>	<b>44,408,718</b>	<b>(23,824,850)</b>	<b>(53.6%)</b>
Capital Contributions	69,951,712	38,907,471	31,044,241	79.8%
Additions to Endowments	11,440,829	8,057,077	3,383,752	42.0%
<b>Total Other Revenues</b>	<b>81,392,541</b>	<b>46,964,548</b>	<b>34,427,993</b>	<b>73.3%</b>
<b>Total Increase in Net Position</b>	<b>101,976,409</b>	<b>91,373,266</b>	<b>10,603,143</b>	<b>11.6%</b>
<b>Net Position</b>				
Net Position at Beginning of Year*	659,481,761	557,672,570	101,809,191	18.3%
Restatements		7,288,589		
<b>Net Position at End of Year</b>	<b>\$ 761,458,170</b>	<b>\$ 656,334,425</b>	<b>\$ 105,123,745</b>	<b>16.0%</b>
<b>Reconciliation of Increase in Net Position</b>				
Total Revenues	\$ 734,691,486	\$ 673,368,257	\$ 61,323,229	9.1%
Less: Total Expenses	632,715,077	581,994,991	50,720,086	8.7%
<b>Total Increase in Net Position</b>	<b>\$ 101,976,409</b>	<b>\$ 91,373,266</b>	<b>\$ 10,603,143</b>	<b>11.6%</b>

\*Per GASB 100, the beginning Net Position for fiscal year 2025 includes a \$3.1 million restatement due to an accounting change. As a result, it does not agree to the ending Net Position for fiscal year 2024. See Note 20 - Net Position Restatements for additional information.

## Total Revenues

Total revenues increased by 9.1%, representing a \$61.3 million change over the prior year. The most significant increases occurred in state appropriations, student financial aid, noncapital contributions, capital contributions, and additions to endowments. These increases were offset by a decrease in net student tuition and fees caused by a change in estimate (methodology) used to calculate financial aid tuition discounts.

The chart below provides a visual presentation of the University's revenue sources.



State appropriations remain the largest revenue source for the University. Appropriations for the year were \$214.3 million compared to \$201.8 million in prior year representing a 6.2% change primarily related to enrollment growth and funding for legislative salary increases. This level of funding demonstrates the State's commitment to support public higher education in North Carolina and helps keep tuition costs lower for students.

Revenues related to student financial aid programs totaling \$62.2 million increased by \$18.5 million during fiscal year 2025. These increases are mostly related to State funds for UNC Needs Based Scholarships and Grants representing a \$7.6 million increase and Federal Pell grants received by students which topped the prior year by \$9.1 million.

Next, noncapital and capital contributions increased by \$7.3 million and \$31.0 million respectively. Changes for noncapital contributions reflect the following receipts from: 1) the Federal Emergency Management Agency (FEMA) administered through the North Carolina Department of Public Safety as reimbursements for damage caused by Hurricane Helene totaling \$1.3 million; and

2) a \$1.7 million allocation from the UNC System Office for a rural healthcare expansion program house in the College of Health Sciences. Another \$3.2 million was related to an increase in contributions received by the Foundation.

Increases in capital contributions are related to increased funding from the State Capital Infrastructure Fund (SCIF) totaling \$12.4 million and an \$18.6 million tax credit revenue from the Federal government for the utility assets discussed in the analysis of receivables above.

Additions to endowments experienced a \$3.4 million increase from \$8.1 million to \$11.4 million. This change is related to increased principal contributions to endowments in the Foundation restricted for scholarship and University support.

During the fiscal year, net tuition and fees decreased by \$12.8 million due to a change in the methodology used to calculate institutional financial aid discounts. This change reflects updated guidance from NACUBO Advisory Report 2023-01, which replaces AR 2000-05 and requires aid to be applied in a specific order using actual student account data. More aid is now recognized as a direct reduction to tuition and fee revenue, resulting in a lower reported amount. When compared to the prior year, the discount related to tuition and fees increased by \$21.1 million in comparison to the prior year. The discount related to sales and services was \$1.1 million less than the prior year discount and the offsetting impact to scholarships expenses was \$20.1 million more.

This change improves the accuracy of financial reporting but does not impact the University's overall financial results or net position. In accordance with GASB Statement No. 100, this change in methodology does not require restatement of prior period financial statements.

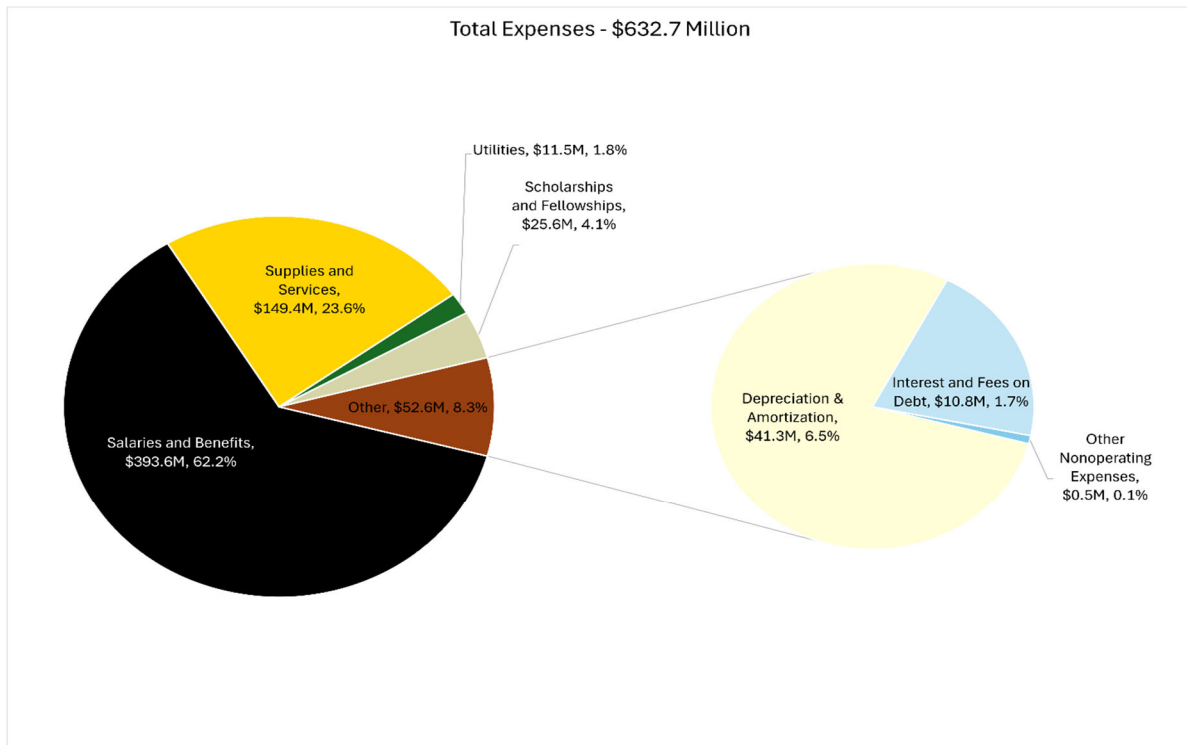
### **Total Expenses**

Total expenses grew by \$50.7 million over the prior year. Most of this growth is related to salaries and benefits which increased from \$351.8 million to \$393.6 million, representing \$41.8 million of the total change in expenses.

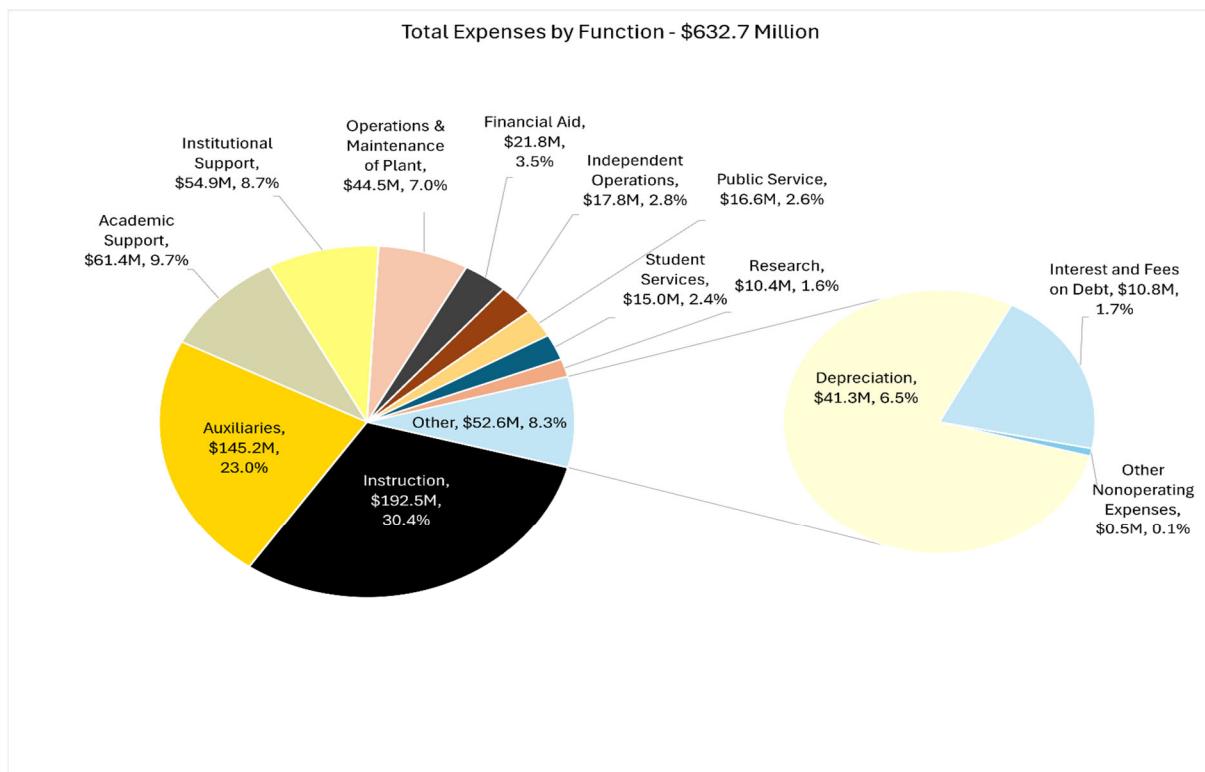
Salaries increased among core functions related to the combination of a 3% legislative increase along with other market and merit-based adjustments. The most notable increases in salaries were recognized in functions related to instruction and academic support which experienced changes totaling \$11.4 million and \$4.1 million, respectively. Self-supporting auxiliaries, which provide student service functions such as dining and residence life, contributed \$4.1 million of increases followed by \$3.9 million in institutional support and \$1.3 million in student support.

The other significant increase in total expenses is related to an increase in pension expenses for the State Pension and OPEB plans. This increase in employee benefits totaled \$17.1 million. The amount of pension expense recognized during the period a result of the cumulative effect of changes in Pension and OPEB deferred outflows, liabilities, and deferred inflows.

For the financial statements, expenses are categorized by their natural classification. The chart on the following page is a visual representation of expenses by natural classification. Viewing expenses this way demonstrates what types of costs the University dedicates most of its resources towards.



The next chart shows expenses by functional classification. Grouping expenses in this manner shows costs by major program or purpose. When expenses are viewed from this perspective the investment in core functions is revealed. Most expenses are dedicated to teaching and academic support. Auxiliary operations also represent the provision of services for operations that support students or the campus community like dining, campus stores, and residence life.





### Capital Assets and Debt Administration

#### Capital Assets

As of June 30, 2025, the University held \$206.7 million in nondepreciable capital assets and \$859.0 million in depreciable assets, net of accumulated depreciation. Nondepreciable balances are related to land, permanent easements, art, literature, and artifacts, and construction in progress while depreciable assets include buildings, machinery and equipment, infrastructure, right-to-use leased assets, and right-to-use subscription assets.

Major capital activity during the year included increases in construction in progress totaling \$70.7 million. The table below summarizes significant additions to construction in progress.

Project	Description	Amount
Track, Indoor Tennis, and Softball Facilities	Project includes the relocation of track & field facilities, construction of 6 outdoor tennis courts, construction of an indoor tennis facility, and a softball stadium.	\$3.9 million
Duncan Hall	Project is a complete interior renovation for new classrooms, offices, and lab spaces.	\$17.0 million
Innovation Campus - Academic Building	Project includes a STEM focused academic building with additional classroom and lab spaces. Project also includes site preparation for a district utility system and faculty/ staff housing facility both operated by a private entity.	\$3.0 million
Peacock Hall	Project is an addition to Peacock Hall, which houses the College of Business. The new space will provide additional classrooms, offices, meeting rooms, and specialized information technology labs.	\$5.9 million
Wey Hall	Project is a complete interior and exterior renovation. It includes new mechanical, electrical, and plumbing, in addition to office space, classrooms, and labs. Wey Hall houses the University's visual arts programs.	\$11.8 million
Hickory Campus	Project includes interior and exterior renovations to the building that houses the University's Hickory Campus.	\$12.7 million
Mountaineer Ridge	Project is new construction for a 850-bed student housing facility for sophomores, juniors, and seniors.	\$10.2 million

During the year several minor projects totaling \$2.1 million were placed into service from construction in progress. Additionally, \$12.8 million added for machinery and equipment, and \$53.2 million in general infrastructure related to utility Capital assets acquired through an Availability Payment Arrangement discussed previously.

#### Debt Administration

At the end of fiscal year 2025, the University had \$518.4 million of outstanding long-term debt (bonds/notes/financed purchase agreement), a total increase of \$175.5 million from the prior year. This increase was primarily driven by new financing for key capital projects, including the

construction of an indoor practice facility, a new student housing project, and a major utility project associated with an Availability Payment Arrangement.

During the year, bonds were issued for the construction of an indoor practice facility. The facility will replace an existing structure with a full 100-yard indoor practice field, offices, and additional space to house a lease tenant. A par amount of \$17.5 million at a premium of \$1.9 million with total proceeds of \$19.4 million were issued for a 10-year term with an interest rate of 3.449% and average coupon rate of 5%.

Increases in notes payable are mostly related to the closing for financing a new student housing project. A \$125.0 million note with PNC Bank secured between the bank and Mountaineer Ridge LLC, a subsidiary of the Corporation. The term of the note is 5 years with a 30-year amortization and an option to extend the term by one year for 3 additional years. The term of the note aligns with existing P3 projects and offers the University flexibility to refinance multiple facilities at once if favorable market conditions arise. The rate lock was 3.28%.

The University has a new financed purchase agreement through an Availability Payment Arrangement which for a major utility project. The University partnered with a private company to construct, operate, and maintain new thermal, wind, and solar assets. This agreement is structured as a Build Transfer Agreement (BTA), where the company builds the assets and transfers them to the University, and a Long-Term Utility Agreement (LTUA), which covers the ongoing operation and maintenance. The University recorded a \$53.2 million liability and a corresponding asset on its balance sheet. The private operator will be paid back over time from milestone payments funded by federal utility tax credits and monthly service charges paid by the University under the LTUA. The liability will be reduced over the term of the agreement as the LTUA payments are made. The liability will be paid off over the term of the agreement, which is 50 years for the thermal asset, and 25 years for the wind and solar assets.

See Notes 6 - Capital Assets and 9 - Long-Term Liabilities to the financial statements for additional detail.

### **Economic Outlook**

The University's positive economic outlook is driven by several key factors, including steady enrollment growth, program diversification, and strong state support. The University's leadership has been thoughtful and deliberate about its growth strategy and program development. By crafting a more diversified portfolio of offerings, the University is positioning itself to maintain its core academic activities whilst being able to offer new opportunities and reach new students. The development of the Hickory campus, traditional online programs, and online opportunities for adult learners are examples that has allowed the University to diversify its offerings to attract future students in an increasingly competitive higher education landscape.

This strategy is reflected in the University's Fall 2025 enrollment numbers, which topped last year's high of 21,568 by enrolling 21,798 students for the start of the new academic year. The Boone campus enrollment has remained steady at 18,124 students while the Hickory campus has expanded to 458 students. Additional growth is being realized in online programs with 3,216 students enrolled for the fall term including students attending Flight Path, the University's Project Kitty Hawk online program, focusing on adult learners.

## Management's Discussion and Analysis

The UNC System has historically benefited from strong State support. Even though a final full budget has not been passed by the General Assembly, the University started the year on a continuation budget operating at the same levels as the prior year. An additional spending bill has been passed to provide additional funding while negotiations continue the complete budget package for the state.

The table on the following page provides information about the projected 2025-2026 General Fund budget.

### 2025-26 General Fund Budget

	<u>Appropriations</u>	<u>Budgeted Receipts</u>	<u>Total General Fund Budget</u>
<b>Base Budget</b>	<b>\$ 209,573,045</b>	<b>\$ 152,634,110</b>	<b>\$ 362,207,155</b>
Employee Benefit Adjustments	2,031,295	-	2,031,295
Legislative Salary Increase	-	-	-
UNC Enrollment Growth Allocation	-	-	-
UNC Performance Funding	322,176	-	322,176
Nonresident Tuition Waiver Reduction	(23,530)	-	(23,530)
Healthcare Workforce Program Expansion	-	1,664,354	1,664,354
AEC NC Collab Prtnership (J. Russell)	61,622	-	61,622
AEC NC Collab Prtnership Year 2 Funding (J. Russell)	104,245	-	104,245
Western NC Research Resilience and Recovery Conference	19,996	-	19,996
Tuition Receipts Decrease	-	(502,447)	(502,447)
Lab School Funding	-	4,068,966	4,068,966
Project Kitty Hawk 2+2	100,000	-	100,000
Faculty Assembly Travel	3,000	-	3,000
SBTDC Allocation (from NCSU)	100,000	-	100,000
UNC Teacher Recruitment Funding	67,053	-	67,053
UNC New Teacher Support Program	144,000	-	144,000
Other Appropriations/Receipts	14,101,888	1,250,000	15,351,888
<b>Total Additions</b>	<b>17,031,745</b>	<b>6,480,873</b>	<b>23,512,618</b>
<b>Total Projected Budget</b>	<b>\$ 226,604,790</b>	<b>\$ 159,114,983</b>	<b>\$ 385,719,773</b>

In summary, the University's outlook remains positive, supported by strategic initiatives such as developing the Hickory campus and online programs, including Project Kitty Hawk. These efforts, combined with steady enrollment growth and continued state support, position the institution to attract new student populations in a competitive higher education market. Although the state budget process is still ongoing, interim funding measures and a history of strong legislative support provide near-term stability.



# Financial Statements

**Appalachian State University**  
**Statement of Net Position**  
**June 30, 2025**

**Exhibit A-1**  
**Page 1 of 2**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 171,924,212
Restricted Cash and Cash Equivalents	55,818,761
Receivables, Net (Note 5)	24,818,146
Inventories	5,986,287
Notes Receivable (Note 5)	137,106
Leases Receivable (Note 10)	396,853
Prepaid Assets	9,899,498
	<hr/>
Total Current Assets	268,980,863

Noncurrent Assets:

Restricted Cash and Cash Equivalents	184,459,361
Receivables (Note 5)	35,030,653
Endowment Investments	243,481,362
Restricted Investments	1,775,186
Other Investments	10,475,555
Notes Receivable, Net (Note 5)	191,653
Leases Receivable (Note 10)	3,592,511
Net Other Postemployment Benefits Asset	390,532
Other Noncurrent Assets	439,819
Capital Assets - Nondepreciable (Note 6)	206,744,321
Capital Assets - Depreciable, Net (Note 6)	858,961,358
	<hr/>
Total Noncurrent Assets	1,545,542,311
	<hr/>
Total Assets	1,814,523,174

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Loss on Refunding	5,624,173
Deferred Outflows Related to Pensions	63,673,997
Deferred Outflows Related to Other Postemployment Benefits (Note 15)	129,802,913
	<hr/>
Total Deferred Outflows of Resources	199,101,083

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 8)	28,361,795
Deposits Payable	221,436
Funds Held for Others	618,242
Unearned Revenue	20,313,330
Interest Payable	2,445,399
Long-Term Liabilities - Current Portion (Note 9)	31,213,917
	<hr/>
Total Current Liabilities	83,174,119



**Appalachian State University**  
**Statement of Net Position**  
**June 30, 2025**

**Exhibit A-1**  
**Page 2 of 2**

Noncurrent Liabilities:

Accounts Payable and Accrued Liabilities	1,523,822
Deposits Payable	250,771
Funds Held for Others	3,598,780
U.S. Government Grants Refundable	424,858
Long-Term Liabilities, Net (Note 9)	1,013,488,884

Total Noncurrent Liabilities	1,019,287,115
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Total Liabilities	1,102,461,234
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Under Public-Private Partnerships (Note 7)	91,582,758
Deferred Inflows for Irrevocable Split-Interest Agreements	828,520
Deferred Inflows for Trusts Held by Others	2,358,457
Deferred Inflows Related to Pensions	542,246
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	50,653,670
Deferred Inflows for Leases	3,739,202

Total Deferred Inflows of Resources	149,704,853
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**NET POSITION**

Net Investment in Capital Assets	573,224,206
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Restricted:

Nonexpendable:

True Endowments	133,529,594
Student Loans and Other	306,389

Total Restricted-Nonexpendable Net Position	133,835,983
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Expendable:

Scholarships, Research, Instruction, and Other	165,814,373
Capital Projects	70,387,340

Total Restricted-Expendable Net Position	236,201,713
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Unrestricted	(181,803,732)
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Total Net Position	\$ 761,458,170
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The accompanying notes to the financial statements are an integral part of this statement.

**Appalachian State University**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2025**

**Exhibit A-2**

**OPERATING REVENUES**

Student Tuition and Fees, Net (Note 12)	\$ 144,681,040
Federal Grants and Contracts	7,607,540
State and Local Grants and Contracts	2,928,570
Nongovernmental Grants and Contracts	1,435,166
Sales and Services, Net (Note 12)	133,558,156
Interest Earnings on Loans	18,461
Other Operating Revenues	2,239,493
	<hr/>
Total Operating Revenues	292,468,426

**OPERATING EXPENSES**

Salaries and Benefits	393,556,675
Supplies and Services	149,411,916
Scholarships and Fellowships	25,581,565
Utilities	11,553,699
Depreciation/Amortization	41,291,603
	<hr/>
Total Operating Expenses	621,395,458
	<hr/>
Operating Loss	(328,927,032)

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	214,261,461
Student Financial Aid	62,227,622
Noncapital Contributions, Net (Note 12)	47,463,209
Investment Income (Net of Investment Expense of \$621,503)	36,878,227
Interest and Fees on Debt	(10,829,611)
Other Nonoperating Expenses	(490,008)
	<hr/>
Net Nonoperating Revenues	349,510,900
	<hr/>
Income Before Other Revenues	20,583,868
	<hr/>
Capital Contributions	69,951,712
Additions to Endowments	11,440,829
	<hr/>
Total Other Revenues	81,392,541
	<hr/>
Increase in Net Position	101,976,409

**NET POSITION**

Net Position - July 1, 2024, as Restated (Note 20)	659,481,761
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Net Position - June 30, 2025	\$ 761,458,170

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

**Appalachian State University**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2025**

**Exhibit A-3**  
**Page 1 of 2**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 292,213,369
Payments to Employees and Fringe Benefits	(383,097,537)
Payments to Vendors and Suppliers	(160,738,600)
Payments for Scholarships and Fellowships	(25,581,565)
Collection of Loans	120,460
Interest Earned on Loans	17,857
Student Deposits Received	5,697,296
Student Deposits Returned	(5,774,547)
William D. Ford Direct Lending Receipts	76,313,923
William D. Ford Direct Lending Disbursements	(76,449,018)
Related Activity Agency Receipts	8,875,030
Related Activity Agency Disbursements	(9,084,211)
Other Payments	(5,249,953)
Net Cash Used by Operating Activities	(282,737,496)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	214,261,461
Student Financial Aid	62,227,622
Noncapital Contributions	48,205,393
Additions to Endowments	10,510,829
Total Cash Provided by Noncapital Financing Activities	335,205,305

**CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES**

Proceeds from Capital Debt	145,521,253
Capital Contributions	52,908,769
Proceeds from Insurance on Capital Assets	3,211,541
Proceeds from Lease Arrangements	494,077
Acquisition and Construction of Capital Assets	(74,962,076)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(28,227,950)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(11,126,489)
Net Cash Provided by Capital Financing and Related Financing Activities	87,819,125

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	1,382,792
Investment Income	11,979,445
Purchase of Investments and Related Fees	(8,764,863)
Net Cash Provided by Investing Activities	4,597,374
Net Increase in Cash and Cash Equivalents	144,884,308
Cash and Cash Equivalents - July 1, 2024	267,318,026
Cash and Cash Equivalents - June 30, 2025	\$ 412,202,334

**Appalachian State University**  
**Statement of Cash Flows**  
**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	\$ (328,927,032)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	41,291,603
Lease Income (Amortized Deferred Inflows of Resources)	(610,704)
Allowances, Write-Offs, and Amortizations	(49,020)
Other Nonoperating Expenses	(3,869,239)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(230,724)
Inventories	402,562
Notes Receivable, Net	120,460
Prepaid Assets	(826,075)
Net Other Postemployment Benefits Asset	(390,532)
Deferred Outflows Related to Pensions	14,478,298
Deferred Outflows Related to Other Postemployment Benefits	(60,252,614)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	1,395,827
Funds Held for Others	(286,432)
Unearned Revenue	1,692,875
Net Pension Liability	(3,534,208)
Net Other Postemployment Benefits Liability	87,141,106
Compensated Absences	1,238,787
Deposits Payable	(22,842)
Workers' Compensation Liability	185,326
Deferred Inflows Under Public-Private Partnerships	(2,648,987)
Deferred Inflows Related to Pensions	(876,490)
Deferred Inflows Related to Other Postemployment Benefits	(28,159,441)
Net Cash Used by Operating Activities	<u>\$ (282,737,496)</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through the Assumption of a Liability	\$ 72,975,476
Assets Acquired through a Gift	1,155,456
Change in Fair Value of Investments	23,806,440
Loss on Disposal of Capital Assets	(600,271)
Bond Issuance Cost Withheld	(422,218)
Amortization of Bond Premiums/Discounts	(1,110,743)
Amortization of Deferred Loss on Refunding	753,523
Increase in Receivables Related to Nonoperating/Other Revenues	18,583,450
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(113,568)
UNC Management Company Investment Management Fees	(576,798)

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



# **Notes to the Financial Statements**

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**Note 1 - Significant Accounting Policies**


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- 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. Appalachian State University (University) 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 Appalachian State University Foundation, Inc. (Foundation) and the Appalachian Real Estate Development Corporation (Corporation), component units of the University, are reported as if they were part of the University.

The Foundation is governed by a 19-member board consisting of 6 ex officio directors and no more than 13 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University. Because the elected directors of the Foundation are appointed by the members of the University's Board of Trustees and the Foundation's sole purpose is to benefit the University, its financial statements have been blended with those of the University.

The Corporation is governed by a board consisting of no less than seven directors, of which five members are administrative officers of the University. The Corporation's primary purpose is to support the University through activities related to real and personal property. These activities include, but are not limited to, acquiring, owning, developing, leasing, financing, managing, operating, selling, and transferring property. The Corporation performs these actions for the benefit of the University, its programs, and its faculty, staff, and students. Because most of the Corporation's debt is expected to be paid using resources of the University, and the Corporation's sole purpose is to benefit the University, its financial statements have been blended with those of the University.

Separate financial statements for the Foundation may be obtained from the Vice Chancellor for University Advancement, Dougherty Administration Building, 438 Academy Street, Boone, NC 28608, or by calling the Foundation's Business Office at 828-262-2341.

Separate financial statements for the Corporation may be obtained from the Chief Operating Officer and Executive Vice Chancellor, Dougherty Administration Building, 438 Academy Street, Boone, NC 28608, or by calling the Office of Student Affairs at 828-262-2060.

Condensed combining information regarding blended component units is provided in Note 18.

- 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). Pursuant to the provisions of 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*, the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.
- 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. Merchandise for resale and rental textbooks are valued at the lower of cost or market using the retail inventory 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 except for internally generated computer software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. Electric utility assets are capitalized in accordance with guidelines from the North Carolina Utilities Commission. 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 as grouped assets in two layers - EDP Equipment and Other Furniture/Equipment when considered significant.

Depreciation and amortization are computed using the straight-line method for the University and the composite rate method for the electric utility 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	2-30 years
General Infrastructure	10-75 years
Computer Software	2-30 years

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 \$100,000 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 \$75,000 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, 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.

There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be 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, bonds from direct placements, a financed purchase agreement, and notes from direct borrowings. Other long-term liabilities include: lease liabilities, subscription liabilities, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

Revenue bonds payable 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.

**Other Leave** - Other leave programs include compensatory time leave, parental leave, military leave, and civil leave. The University evaluates the significance of these liabilities at the year-end and records a liability if the amount is considered material.

- 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:

**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.

**O. Scholarship Discounts** - Student tuition and fees revenues and auxiliary service 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 campus stores, dining and catering, central warehouses, copy centers, motor pool, postal services, telecommunications, steam plant, and electric utility. 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.

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## Note 2 - Deposits and Investments

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- 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 \$280,809,339, 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 \$57,249. The carrying amount of the University's deposits not with the State Treasurer was \$131,335,746, and the bank balance was \$132,500,666.

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, \$129,849,746 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

- 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.

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 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 does not have a formal policy that addresses interest rate risk.

*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.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial 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 unitization method. Under this method, each participating fund's investment balance is determined on the number of units held. The investment strategy, including the selection of investment managers, is based on the directives of the University's Board of Trustees of the Endowment Fund and the Foundation's Board of Directors.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2025, for the Long-Term Investment Pool.

***Long-Term Investment Pool***

	Amount
<b>Investment Type</b>	
Other Securities	
UNC Investment Fund	\$ 252,499,737
Real Assets Limited Partnerships	209,166
<b>Total Long-Term Investment Pool</b>	<u>\$ 252,708,903</u>

**UNC Investment Fund, LLC** - At June 30, 2025, the University's investments include \$252,499,737, 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***

	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
<b>Investment Type</b>				
Debt Securities				
Debt Mutual Funds	\$ 380,202	\$ -	\$ 64,055	\$ 316,147
Money Market Mutual Funds	41,701	41,701	-	-
<b>Total Debt Securities</b>	421,903	<u>\$ 41,701</u>	<u>\$ 64,055</u>	<u>\$ 316,147</u>
Other Securities				
International Mutual Funds	67,285			
Equity Mutual Funds	653,274			
Investments in Real Estate	1,360,000			
Domestic Stocks	394,387			
Cash Surrender Value of Insurance	126,351			
<b>Total Non-Pooled Investments</b>	<u>\$ 3,023,200</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	BB/Ba and below
Debt Mutual Funds	\$ 380,202	\$ 31,789	\$ 157,133	\$ 73,413	\$ 117,867
Money Market Mutual Funds	41,701	-	41,701	-	-
Totals	<u>\$ 421,903</u>	<u>\$ 31,789</u>	<u>\$ 198,834</u>	<u>\$ 73,413</u>	<u>\$ 117,867</u>

Rating Agency: Moody's/S&P/Fitch

At June 30, 2025, the University's non-pooled investments were exposed to custodial credit risk as follows:

Investment Type	Held by Counterparty's Trust Dept or Agent not in University's Name
Domestic Stocks	<u>\$ 394,387</u>

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

Investment Type	Amount
Debt Securities	
Debt Mutual Funds	\$ 380,202
Money Market Mutual Funds	41,701
Other Securities	
UNC Investment Fund	252,499,737
International Mutual Funds	67,285
Equity Mutual Funds	653,274
Investments in Real Estate	1,360,000
Domestic Stocks	394,387
Real Assets Limited Partnerships	209,166
Cash Surrender Value of Life Insurance	126,351
<b>Total Investments</b>	<u>\$ 255,732,103</u>

### Note 3 - Fair Value Measurements

To the extent available, the University's investments and certain other assets and liabilities 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 or liabilities in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset or liability, either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset or liability and may require a degree of professional judgment.

The following table summarizes the University's 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
<b>Investments by Fair Value Level</b>				
Debt Securities				
Debt Mutual Funds	\$ 380,202	\$ 380,202	\$ -	\$ -
Money Market Mutual Funds	41,701	41,701	-	-
<b>Total Debt Securities</b>	421,903	421,903	-	-
Other Securities				
International Mutual Funds	67,285	67,285	-	-
Equity Mutual Funds	653,274	653,274	-	-
Investments in Real Estate	1,360,000	-	-	1,360,000
Domestic Stocks	394,387	394,387	-	-
Cash Surrender Value of Life Insurance	126,351	126,351	-	-
<b>Total Investments by Fair Value Level</b>	3,023,200	\$ 1,663,200	\$ -	\$ 1,360,000
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Real Assets Limited Partnerships	209,166			
<b>Investments as a Position in an External Investment Pool</b>				
Short-Term Investment Fund	280,809,339			
UNC Investment Fund	252,499,737			
<b>Total Investments as a Position in an External Investment Pool</b>	533,309,076			
<b>Total Investments Measured at Fair Value</b>	\$ 536,541,442			
<b>Other Assets (Liabilities) Measured at Fair Value</b>				
Beneficial Interest in Remainder Trusts	\$ 2,358,457	\$ -	\$ -	\$ 2,358,457
Split-Interest Obligations	\$ (1,386,306)	\$ -	\$ -	\$ (1,386,306)

**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.

**Investments in Real Estate** - The Foundation holds interest in donated and acquired real estate with an estimated fair value of \$1,360,000. These investments are classified in Level 3 of the fair value hierarchy. The amounts reported in the accompanying Statement of Net Position include management's estimates of fair market value. Such estimates involve an analysis of various real estate market information, including the availability of contemporaneous appraisals.

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2025:

**Investments Measured at the NAV**

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Other Redemption Restrictions	Redemption Notice Period
					Written notice at least 45 days prior to redemption
Real Assets Limited Partnerships	\$ 209,166	\$ 292,507	Quarterly	Initial lock-up of 10 years	

**Real Assets Limited Partnerships** - Private investment in various real estate sectors with a focus on high-quality assets with diversity in geographic area and investment type.

### Other Assets and Liabilities Measured at Fair Value

**Beneficial Interest in Remainder Trusts** - Beneficial interest in remainder trusts classified in Level 3 of the fair value hierarchy are valued using the present value techniques based on IRS mortality tables and the value of the underlying securities.

**Split-Interest Agreement Obligations** - Split-interest obligations classified in Level 3 of the fair value hierarchy are valued using the present value techniques based on the IRS mortality tables and the value of the split-interest gifts.

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### Note 4 - Endowment Investments

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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. However, a majority of the University's endowment donor agreements prohibit spending of nonexpendable balances and

therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

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 funds are based on an adopted spending policy which limits spending to 5% of a three-year rolling average of an individual endowment account's net position value at the end of the previous year. An earnings reserve must be held in each endowment account in an amount equal to 5% of the original contribution. Earnings in excess of the reserve amount as calculated at the end of the fiscal year are eligible to pay out. Realized and unrealized net capital losses that invade the original corpus amounts are recovered from accumulated income before any spending budgets are calculated. Subject to these limitations, the budgeted spending amount will be based on the net position value of each individual endowment fund. At June 30, 2025, net appreciation of \$25,879,884 was available to be spent which was classified in net position as restricted expendable for scholarships, research, instruction, and other as it is restricted for specific purposes.

The Foundation has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value over the prior three years through the fiscal year-end. In establishing this policy, the Foundation considered the long-term expected return on the endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment returns. The amount of net appreciation on investments of donor restricted endowments that are available for authorization for expenditure by the Board of Directors was \$85,838,945 at June 30, 2025. This amount is included in net position as restricted expendable for scholarships, research, instruction, and other in the accompanying Statement of Net Position.

## Note 5 - Receivables

Receivables at June 30, 2025, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 8,608,399	\$ 863,245	\$ 7,745,154
Accounts	5,150,080	131,282	5,018,798
Intergovernmental	6,598,834	-	6,598,834
Pledges	7,769,119	2,396,699	5,372,420
Interest on Loans	16,388	-	16,388
Other	66,552	-	66,552
<b>Total Current Receivables</b>	<b>\$ 28,209,372</b>	<b>\$ 3,391,226</b>	<b>\$ 24,818,146</b>
<b>Noncurrent Receivables:</b>			
Intergovernmental	\$ 18,616,783	\$ -	\$ 18,616,783
Pledges	16,313,870	-	16,313,870
Other	100,000	-	100,000
<b>Total Noncurrent Receivables</b>	<b>\$ 35,030,653</b>	<b>\$ -</b>	<b>\$ 35,030,653</b>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Federal Loan Programs	\$ 136,831	\$ -	\$ 136,831
Institutional Student Loan Programs	275	-	275
<b>Total Notes Receivable - Current</b>	<b>\$ 137,106</b>	<b>\$ -</b>	<b>\$ 137,106</b>
<b>Notes Receivable - Noncurrent:</b>			
Federal Loan Programs	\$ 265,118	\$ 73,465	\$ 191,653

## 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 (as Restated)	Increases	Decreases	Balance June 30, 2025
<b>Capital Assets, Nondepreciable:</b>				
Land and Permanent Easements	\$ 67,689,486	\$ 50,001	\$ -	\$ 67,739,487
Art, Literature, and Artifacts	4,579,529	60,049	-	4,639,578
Construction in Progress	65,730,618	70,736,177	2,101,539	134,365,256
<b>Total Capital Assets, Nondepreciable</b>	<b>137,999,633</b>	<b>70,846,227</b>	<b>2,101,539</b>	<b>206,744,321</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	1,046,307,849	479,839	-	1,046,787,688
Machinery and Equipment	101,649,659	12,825,721	1,927,713	112,547,667
General Infrastructure	114,980,573	53,888,382	107,307	168,761,648
Computer Software	918,617	-	-	918,617
Right-to-Use Leased Buildings	7,170,449	-	654,278	6,516,171
Right-to-Use Leased Machinery and Equipment	1,717,543	61,155	31,576	1,747,122
Right-to-Use Leased General Infrastructure	5,591,719	-	-	5,591,719
Right-to-Use Subscription Assets	12,453,741	6,531,985	2,112,670	16,873,056
<b>Total Capital Assets, Depreciable</b>	<b>1,290,790,150</b>	<b>73,787,082</b>	<b>4,833,544</b>	<b>1,359,743,688</b>
<b>Less Accumulated Depreciation/Amortization for:</b>				
Buildings	353,768,150	21,888,599	-	375,656,749
Machinery and Equipment	50,861,363	8,396,828	1,407,130	57,851,061
General Infrastructure	47,977,849	4,045,323	27,619	51,995,553
Computer Software	588,268	35,249	-	623,517
Right-to-Use Leased Buildings	3,189,805	995,273	654,278	3,530,800
Right-to-Use Leased Machinery and Equipment	351,440	358,439	19,591	690,288
Right-to-Use Leased General Infrastructure	2,201,625	733,875	-	2,935,500
Right-to-Use Subscription Assets	4,499,773	4,838,017	1,838,928	7,498,862
<b>Total Accumulated Depreciation/Amortization</b>	<b>463,438,273</b>	<b>41,291,603</b>	<b>3,947,546</b>	<b>500,782,330</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>827,351,877</b>	<b>32,495,479</b>	<b>885,998</b>	<b>858,961,358</b>
<b>Capital Assets, Net</b>	<b>\$ 965,351,510</b>	<b>\$ 103,341,706</b>	<b>\$ 2,987,537</b>	<b>\$ 1,065,705,679</b>

As of June 30, 2025, the total amount of right-to-use leased assets was \$13,855,012 and the related accumulated amortization was \$7,156,588.

## Note 7 - Public-Private Partnership for Student Housing, Parking Deck, Faculty/Staff Housing, & District Energy System

**Student Housing** - The University entered an agreement that qualifies as a public-private partnership with Beyond Boone, LLC (BB), the sole member of which is Beyond Owners Group, Inc., on February 13, 2019. The project replaced 1,485 existing beds with 1,545 new beds of student housing. The University entered into this agreement to address the demand for updated on-campus housing, additional beds to meet on-campus housing demand, and to replace parking infrastructure that was displaced by the construction of the residence halls.

The project is located on the campus of the University on land leased to BB for 50 years. Upon final payment of all indebtedness owed under the agreement, the BB will transfer all its interest in the facilities for no cost to the University.

Residence life programming is managed by the University under the terms of the management agreement and operating agreement in conjunction with the ground lease and asset management

agreement with BB. BB is entitled to all housing revenues generated by the residence halls during the terms of the agreement.

Phase I of the project was completed in the fall of 2020 with the completion of Thunder Hill Hall (587-beds), Raven Rocks Hall, (318-beds), and a 475-space parking deck that replaced two existing residence halls with 674 beds and a surface parking lot. Raven Rocks Hall was purchased by the University in fiscal year 2021 and is no longer a part of the arrangement. Laurel Creek Hall (640-beds) was completed in the fall of 2021 as part of phase II.

The University reports the facilities as a capital asset with a book value of \$94,206,184 and a related deferred inflow of resources of \$91,582,758 that is amortized using the straight-line method over the term of the agreement.

**Parking Deck** - The use and operation of the parking deck facility is governed by a separate facility lease agreement. Under the terms of this agreement the University entered a lease for the facility from the operator for a 10-year term with an option to renew in 10-year increments. The University will operate the parking facility through its Parking and Transportation department. The facility lease will be accounted for separately from public-private partnership in accordance with GASB Statement No. 87, *Leases* and is accounted for as a right-to-use asset and lease liability.

**Faculty/Staff Housing** - On July 28, 2023, the University entered into a public-private partnership with Beyond Boone II, LLC (BBII), which is a special purpose entity formed by Radnor Property Group, who will develop, own, and operate a 156-unit faculty and staff housing facility (project) in the University's Innovation District. Faculty and staff employees of the University will lease housing units from the project. BBII will bill and collect all rents due under the lease agreements with employees. The term of the agreement is the lesser of the project debt, 45-years, or the lease term, 50-years. At the end of the agreement ownership of the project will revert to the University. The project cost is budgeted at \$53.4 million. The entire agreement is comprised of a ground lease and Cooperation and Services Agreement that will be evaluated using GASB Statement No. 87, *Leases* and GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* standards once the underlying assets are placed into service. The project is currently under construction and is expected to be placed into service in fiscal year 2026.

**District Energy System** - On October 27, 2023, the University entered into a Build Transfer Agreement (BTA) and a Long-Term Utility Agreement (LTUA) with Mountaineer Energy P3, LLC (MEP3), a special purpose entity formed by Harrison Street investment management firm, to design, construct, finance, operate, and maintain a District Energy System (DES) and to provide utility services to the University's Innovation District, which will include a new State funded academic STEM building and the faculty staff housing project. Under the BTA, MEP3 constructed and transferred ownership of the DES to the University. The term of the LTUA agreement is 50 years from the date the first utility asset is operational.

The University reports the DES assets as infrastructure with a book value of \$52,580,670 at June 30, 2025. Depreciation is calculated based on straight-line method over the useful life of the assets. The University's obligations under these agreements meet the definition of a long-term debt and a corresponding Financed Purchase Agreement long-term liability is disclosed in Note 9 - Long-Term Liabilities.

## Note 8 - Accounts Payable and Accrued Liabilities

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

	<u>Amount</u>
<b>Current Accounts Payable and Accrued Liabilities</b>	
Accounts Payable	\$ 8,611,926
Accounts Payable - Capital Assets	11,316,098
Accrued Payroll	5,215,719
Contract Retainage	3,080,244
Intergovernmental Payables	50,249
Other	87,559
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<u>\$ 28,361,795</u>

## 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
<b>Long-Term Debt</b>					
Revenue Bonds Payable	\$ 207,400,000	\$ 17,515,000	\$ 9,845,000	\$ 215,070,000	\$ 11,005,000
Bonds from Direct Placements	30,015,000	-	4,513,000	25,502,000	3,963,000
Plus: Unamortized Premium	11,594,985	1,907,218	1,116,778	12,385,425	-
Less: Unamortized Discount	24,139	-	6,035	18,104	-
<b>Total Revenue Bonds Payable and Bonds from Direct Placements, Net</b>	<u>248,985,846</u>	<u>19,422,218</u>	<u>15,468,743</u>	<u>252,939,321</u>	<u>14,968,000</u>
Financed Purchase Agreement	-	53,207,766	-	53,207,766	1,850,616
Notes from Direct Borrowings	93,828,440	126,521,253	8,135,833	212,213,860	5,452,121
<b>Total Long-Term Debt</b>	<u>342,814,286</u>	<u>199,151,237</u>	<u>23,604,576</u>	<u>518,360,947</u>	<u>22,270,737</u>
<b>Other Long-Term Liabilities</b>					
Lease Liabilities	9,219,194	61,155	2,115,314	7,165,035	2,051,091
Subscription (SBITA) Liabilities	5,690,562	5,523,432	3,618,803	7,595,191	3,128,965
<b>Employee Benefits</b>					
Compensated Absences	16,654,909	14,437,876	13,199,090	17,893,695	3,330,660
Net Pension Liability	123,042,569	-	3,534,208	119,508,361	-
Net Other Postemployment Benefits Liability	286,256,688	87,027,538	-	373,284,226	-
Workers' Compensation	710,019	835,235	649,908	895,346	432,464
<b>Total Other Long-Term Liabilities</b>	<u>441,573,941</u>	<u>107,885,236</u>	<u>23,117,323</u>	<u>526,341,854</u>	<u>8,943,180</u>
<b>Total Long-Term Liabilities, Net</b>	<u>\$ 784,388,227</u>	<u>\$ 307,036,473</u>	<u>\$ 46,721,899</u>	<u>\$ 1,044,702,801</u>	<u>\$ 31,213,917</u>

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

Additional information regarding the financed purchase agreement is included in Note 7.

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.



**B. Revenue Bonds Payable and Bonds from Direct Placements** - The University was indebted for revenue bonds payable 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	See Table Below
<b>Revenue Bonds Payable</b>						
<b>Millennial Campus</b>						
Millennial Campus Revenue Bonds - End Zone Facility	2018	3.25%-5.00%	05/01/2049	\$ 39,865,000	\$ 38,530,000	(1)
Millennial Campus Revenue Bonds - Indoor Practice Facility	2024	5.00%	11/01/2034	17,515,000	17,515,000	(2)
Total Millennial Campus Revenue Bonds				57,380,000	56,045,000	
<b>ASU General Revenue Bonds</b>						
ASU General Revenue Bonds - Housing, Athletics, Parking	2014A	3.00%-4.00%	07/15/2039	22,540,000	15,995,000	
ASU General Revenue Taxable Bonds - Housing, Athletics, Parking	2014B	3.00%-4.00%	07/15/2025	12,965,000	1,625,000	
ASU General Revenue Bonds - Housing, Dining	2014C	2.00%-5.00%	10/01/2031	21,210,000	10,185,000	
ASU General Revenue Bonds - Housing, Athletics, Parking	2016A	2.00%-5.00%	10/01/2033	23,965,000	16,020,000	
ASU General Revenue Bonds - Housing, Student Recreation Center	2016B	5.00%	10/01/2026	7,700,000	485,000	
ASU General Revenue Bonds - Housing	2016C	2.00%-5.00%	10/01/2046	25,845,000	24,100,000	
ASU General Revenue Bonds - Housing, Athletics	2016D	3.00%-5.00%	10/01/2034	10,895,000	8,085,000	
ASU General Revenue Bonds - Housing, Bookstore, Athletics, Student Union, and Steam Plant Utility System	2017A	3.00%-5.00%	10/01/2036	56,390,000	47,370,000	
ASU General Revenue Bonds - Academic Building	2019	3.00%-5.00%	10/01/2048	16,640,000	14,705,000	
ASU General Revenue Bonds - Parking Deck	2022B	4.00-5.00%	10/01/2052	20,455,000	20,455,000	
Total ASU General Revenue Bonds				218,605,000	159,025,000	
<b>Bonds from Direct Placements</b>						
ASU Utility System Revenue Bonds - Utility System	2016	2.32%	05/05/2026	3,650,000	365,000	(4)
Millennial Campus Revenue Bonds - Athletic Turf Field	2020	1.68%	05/01/2030	2,552,000	1,329,000	(3)
ASU General Revenue Refunding Bonds - Housing, Bookstore, Athletics	2020	1.56%	10/01/2025	2,259,000	172,000	
ASU Utility System Revenue Bonds - Utility System	2020	1.73%	05/05/2040	6,500,000	5,445,000	(4)
ASU General Revenue Refunding Bonds - Housing, Bookstore, and Student Recreation Center	2022	1.42%	05/01/2028	16,897,000	8,326,000	
ASU General Revenue Bonds - Athletics	2023	4.01%	10/01/2048	10,105,000	9,865,000	
Total Bonds from Direct Placements				41,963,000	25,502,000	
<b>Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)</b>				<b>\$ 317,948,000</b>	240,572,000	
Plus: Unamortized Premium					12,385,425	
Less: Unamortized Discount					18,104	
<b>Total Revenue Bonds Payable and Bonds from Direct Placements, Net</b>					<b>\$ 252,939,321</b>	

The University has pledged future revenues, net of specific operating expenses, to repay revenue bonds and bonds from direct placements as shown in the table below:

Ref	Revenue Source	Total Future Revenues Pledged	For the Year Ended June 30, 2025			Estimate of % of Revenues Pledged
			Revenues Net of Expenses	Principal	Interest	
(1)	University Charges to Athletics and Auxiliaries	\$ 66,284,400	\$ 1,934,510	\$ 245,000	\$ 1,700,750	100%
(2)	University Charges to Athletics and Auxiliaries	22,625,125	-	-	338,137	100%
(3)	University Charges to Athletics and Auxiliaries	1,396,738	39,480	253,000	26,578	100%
(4)	Electric Utility Revenue	6,589,767	1,552,285	680,000	117,695	14%

- C. Financed Purchase Agreement** - The University was indebted for an availability payment arrangement treated as a financed purchase agreement for the purpose shown below:

Purpose	Service Provider	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
District Energy System	Mountaineer Energy P3, LLC	4.50%	06/30/2075	\$ 53,207,766	\$ 53,207,766

- D. 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 Savings Project	T.D. Bank	1.99%	07/01/2027	\$ 16,499,917	\$ 3,076,002
Former Watauga High School	Watauga County	0.00%	07/01/2032	15,475,000	12,000,000
Renovation of Schaefer Center	First Citizens Bank	4.10%	01/15/2027	5,362,147	732,858
Student Housing	PNC Bank	2.08%	12/01/2030	72,800,000	67,130,000
Student Housing	PNC Bank	3.28%	05/01/2030	125,000,000	125,000,000
App 105 Phase II	First Horizon Bank	4.70%	06/12/2028	5,700,000	4,275,000
<b>Total Notes from Direct Borrowings</b>				<b>\$ 240,837,064</b>	<b>\$ 212,213,860</b>

- E. 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		Bonds from Direct Placements		Financed Purchase Agreement		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 11,005,000	\$ 8,262,056	\$ 3,963,000	\$ 634,306	\$ 1,850,616	\$ 2,296,591	\$ 5,452,121	\$ 5,955,478
2027	11,750,000	7,746,175	3,695,000	568,184	15,989,999	1,709,135	6,824,588	5,615,856
2028	11,530,000	7,233,700	3,744,000	507,195	836,697	1,485,592	9,422,151	5,441,406
2029	13,205,000	6,729,950	890,000	444,777	384,611	1,466,005	6,570,000	5,245,108
2030	13,830,000	6,186,250	915,000	422,705	398,353	1,452,263	123,085,000	4,784,204
2031-2035	64,910,000	23,050,809	3,465,000	1,807,878	2,217,494	7,035,586	60,860,000	591,344
2036-2040	32,165,000	13,951,450	3,990,000	1,275,722	2,651,884	6,601,196	-	-
2041-2045	27,335,000	8,824,281	2,475,000	730,321	3,180,083	6,072,997	-	-
2046-2050	25,510,000	3,103,978	2,365,000	194,385	3,823,835	5,429,245	-	-
2051-2055	3,830,000	241,313	-	-	2,616,594	4,770,126	-	-
2056-2060	-	-	-	-	3,295,517	4,091,203	-	-
2061-2065	-	-	-	-	4,150,600	3,236,120	-	-
2066-2070	-	-	-	-	5,227,550	2,159,170	-	-
2071-2075	-	-	-	-	6,583,933	802,787	-	-
<b>Total Requirements</b>	<b>\$ 215,070,000</b>	<b>\$ 85,329,962</b>	<b>\$ 25,502,000</b>	<b>\$ 6,585,473</b>	<b>\$ 53,207,766</b>	<b>\$ 48,608,016</b>	<b>\$ 212,213,860</b>	<b>\$ 27,633,396</b>

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

**Revenue Bonds Payable** - The University has outstanding General Revenue bonds of \$159,025,000. These bonds are subject to default provisions under the Board of Governors of the University of North Carolina General Trust Indenture dated May 1, 2003. The University also has outstanding Millennial Campus Revenue bonds totaling \$56,045,000. These bonds are subject to default provisions under the Board of Governors of the University of North Carolina General Trust Indenture dated December 1, 2018. Under both indentures, an event of default is defined as a failure to pay principal or premium on a bond when it becomes due and payable, a failure to pay any installment of interest when it becomes due and payable, or

when the University fails to observe any covenant, condition, or provision contained in the bonds or the indenture 30 days after receiving written notification specifying the failure.

Under all agreements for Revenue Bonds, if an event of default occurs the provisions allow, or if required by a majority of owners of bonds, require the Trustee to declare bonds to be immediately due and payable.

**Bonds from Direct Placements** - The University has outstanding direct placements for the Series 2016 Utility System Bonds totaling \$365,000 and Series 2020 Utility System Bonds totaling \$5,445,000. These bonds are subject to default provisions as defined in the Appalachian State University d/b/a New River Light & Power General Trust Indenture dated December 1, 2011. An event of default occurs when there is a failure to pay principal or premium on a bond when it becomes due and payable, a failure to pay any installment of interest when it becomes due and payable, or when the University fails to observe any covenant, condition, or provision contained in the bonds or the indenture 30 days after receiving written notification specifying the failure.

For the 2016 and the 2020 Utility System Bonds, the Second and Third Series Indenture defines additional events of default as (1) any petition or action for relief under any bankruptcy, reorganization, insolvency, or other laws and such petition results in an entry of an order of relief or continues as pending for a period of 60 days, (2) one or more judgements, orders, decrees, or arbitration awards is entered against the University as a result of ownership, control, or operation of any portion of the project funded by the note as to any single or series of transactions, incidents, or conditions of \$1,000,000 or more that remain unsatisfied pending appeal for 60 days after entry, to (3) any representation or warranty made or deemed to be made by the University that proves to be untrue or incomplete in any material respect, or (4) any material provision of the General Indenture or Second Series Indenture ceases to be binding on the University, or is declared null and void, or the validity is contested by the University, or if any proceeding is undertaken by any governmental agency or authority with jurisdiction over the University seeks to invalidate the enforceability of the indentures, or if the University denies that it has further obligation under the Second Series Indenture or on the 2016 Bonds.

The University has outstanding direct placements for 2020 Millennial Campus Revenue Bonds totaling \$1,329,000, Series 2020 General Revenue Refunding Bonds totaling \$172,000, Series 2022 General Revenue Refunding Bonds totaling \$8,326,000 and Series 2023 General Revenue Bonds totaling \$9,865,000. These bonds are subject to default provisions under the Board of Governors of the University of North Carolina General Trust Indenture dated May 1, 2003. An event of default is defined as a failure to pay principal or premium on a bond when it becomes due and payable, a failure to pay any installment of interest when it becomes due and payable, or when the University fails to observe any covenant, condition, or provision contained in the bonds or the indenture 30 days after receiving written notification specifying the failure.

Under all the agreements for direct placements, if an event of default occurs the provisions allow, or if required by a majority of owners of bonds, require the Trustee to declare the bonds to be immediately due and payable.

**Financed Purchase Agreement** - The University has an outstanding long-term liability resulting from an availability payment arrangement related to the Build Transfer Agreement (BTA) and Long-Term Utility Agreement (LTUA) with Mountaineer Energy P3, LLC (MEP3) disclosed in Note 7 - Public-Private Partnerships. The total liability outstanding at June 30, 2025, is \$53,207,766.

The University's obligations under these agreements meet the definition of a long-term debt under GASB Statement No. 88 because they arise from contractual obligations to pay fixed amounts in the future. These obligations include "milestone payments" that are fixed amounts payable to MEP3 upon mechanical completion and ownership transfer of the utility assets. These payments are funded by federal energy tax credits. Additionally, under the LTUA the University will make fixed monthly payments for the remaining cost of the assets and the availability of the assets for use.

The milestone payments under the BTA payable at mechanical completion include the following assets: Thermal Utility System: \$15,850,428; Wind Assets: \$1,835,254; and Solar Assets: \$931,101, totaling \$18,616,783. The University met eligibility requirements for the tax credits and recognized a capital contribution and receivable in this amount. The cash receipt of the credits is expected to be in the fall or late summer of 2027.

Monthly payments include both capital costs and operation and maintenance costs. The capital portion is fixed, and the operations and maintenance portion is subject to escalation based on the consumer price index (CPI). The term of the LTUA is 50 years from the date of mechanical completion and ownership transfer. Early termination for convenience is permitted after year 20 but subject to termination costs estimated at \$54 million.

Events of default include failure to make payments when due, insolvency, or material breach of obligations. Upon default, the service provider may accelerate all amounts due under the BTA or LTUA, including unpaid milestone payments and the present value of remaining capital components. The University retains cure rights prior to acceleration.

The University entered into a Recognition Agreement with Sumitomo Mitsui Banking Corporation (Collateral Agent) acknowledging MEP3's collateral assignment of its rights under the BTA and LTUA to secure financing. The University has not pledged any of its own assets as collateral.

**Notes from Direct Borrowings** - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for the direct borrowing of the Guaranteed Energy Savings and Performance Contracting Phase II dated June 6, 2013 with an outstanding amount of \$3,076,002. This agreement contains 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 within 30 days following the due date, (2) any representation or Warranty furnished by the University in the Agreement proves to be false or misleading in any material respect when made, or (3) any other material failure by the University to perform or comply with the terms and conditions of the Agreement, unless corrected within 30 days after written notice to the University.

Upon the occurrence of any event of default related to the Phase II agreement, each party agrees to exercise good faith efforts to resolve the matter fairly, amicably and in a timely

manner. The parties shall consider litigation as a last resort, to be employed only when alternative dispute resolution procedures fail.

The carrying value of the energy savings improvement assets associated with the Phase II of the Energy Savings and Performance Contracting is \$8,545,676 and is subject to security provisions in the agreements to ensure timely debt service payments.

The University has an outstanding note from direct borrowing of \$12,000,000 through a long-term note agreement with Watauga County dated September 28, 2017. The University has pledged a land asset with a book value of \$18,390,209, which is subject to security provisions in the agreement to ensure timely debt service payments. This agreement contains provisions related to events of default. An event of default occurs when: (1) payment of any installment of principal or interest is not paid within 15 days from the due date, or (2) default under the terms of any instrument securing the note, and such default is not resolved within 15 days after written notice to maker.

Upon the occurrence of any default, the County may without further notice, declare the remainder of the principal sum, together with all the interest accrued due and payable. The unpaid principal, accrued interest, and all other sums due under the note will be subject to interest at the rate of 5% per annum after default until paid. The principal is due annually with a maturity date of July 1, 2032.

The Foundation entered into a future advance loan agreement with a financial institution on March 5, 2012, to finance the renovation of the Schaefer Center for the Performing Arts. The Foundation assigned donor pledges made for purposes of the renovation to the bank as collateral for the loan. The outstanding balance as of June 30, 2025, was \$732,858. The note is payable in annual installments of \$487,585 including principal and interest due January 15 of each year with all remaining principal and interest due January 15, 2027. The loan carries an interest rate of 4.10%.

The Foundation entered into a future advance loan agreement with a financial institution on June 12, 2023, to finance an athletics construction project known as Phase II of the Appalachian 105 Project. The Foundation assigned donor pledges made for purposes of the project construction to the bank as collateral for the loan. The outstanding balance as of June 30, 2025, was \$4,275,000. The note had an 18 month draw down period which ended December 12, 2024, with a maximum available amount of \$5,700,000 and has principal repayment requirements of 25% each year beginning June 2025 and ending June 2028. The loan carries an interest rate of 4.7%.

The Corporation entered into a loan agreement with a financial institution on December 18, 2020, to finance the construction of New River Residence Hall and associated site improvements. The Corporation assigned to the bank, right, title and interest in lease and use agreements established between the University and the Corporation, and upon default, the Base Rentals, which includes all rental revenue from the facility, and payments received or receivable by the Corporation under these agreements, and a continuing security interest in the Base Rentals, as well as the lease and use agreements after the commencement of any proceeding under the Bankruptcy Code involving the Corporation. The bank has the right, power and authority to: (1) settle, compromise, release, extend the time of payment of, and make allowances, adjustments and discounts of any Base Rentals or other obligations;

(2) enforce payment of Base Rentals; (3) enter on, take possession of and operate the residence hall if a default occurs; and, (4) perform any and all obligations of the Corporation. The outstanding balance as of June 30, 2025, was \$67,130,000. The note is payable in semi-annual installments of principal due and quarterly installments of interest due each year, with a mandatory purchase date of April 1, 2028 and a note maturity date of December 1, 2030. The loan carries an interest rate of 2.08%.

The Corporation entered into a loan agreement with a financial institution on May 1, 2025, to finance the construction of student housing facilities known as “Mountaineer Ridge” and associated site improvements. The Corporation assigned to the bank, right, title and interest in lease and use agreements established between the University and the Corporation, and upon default, the Base Rentals, which includes all rental revenue from the facility, and proceeds and payments received or receivable by the Corporation under these agreements, and a continuing security interest in the Base Rentals, as well as the lease and use agreements after the commencement of any proceeding under the Bankruptcy Code involving the Corporation. The bank has the right, power and authority to: (1) settle, compromise, release, extend the time of payment of, and make allowances, adjustments and discounts of any Base Rentals or other obligations; (2) enforce payment of Base Rentals; (3) enter on, take possession of and operate the residence hall if a default occurs; and, (4) perform any and all obligations of the Corporation. The outstanding balance as of June 30, 2025, was \$125,000,000. The note is payable in semi-annual installments of principal due and quarterly installments of interest due each year with all remaining principal and interest due May 1, 2030. The loan carries an interest rate of 3.28%.

### Note 10 - Leases and Subscription-Based Information Technology Arrangements

**A. Lessor Arrangements** - The University leases office space and equipment to both external and related 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 the University did not recognize any variable payment amounts.

During the year ended June 30, 2025, the University recognized operating revenues related to lessor arrangements totaling \$452,585, and nonoperating lease interest income totaling \$117,396.

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 <sup>(1)</sup>	Interest Rate/ Ranges
Lessor:					
Buildings	3	\$ 2,054,509	\$ 284,630	5 Years	2.40%-3.00%
Machinery and Equipment	3	1,934,855	112,223	13 Years	2.69%-3.18%
<b>Total</b>	<b>6</b>	<b>\$ 3,989,364</b>	<b>\$ 396,853</b>		

(1) The lease terms were calculated using weighted averages based on lease receivable amounts.



- B. Lessee Arrangements** - The University has lease agreements for the right to use office space, equipment, and infrastructure from both external and related 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, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. 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.

Measurement of the lease liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the lease liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of \$70,934 for these changes in variable payments not previously included in the measurement of the lease liability.

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 <sup>(1)</sup>	Interest Rate/ Ranges
Lessee:					
Right-to-Use Leased Buildings	4	\$ 3,166,759	\$ 886,676	4 Years	2.31%-8.50%
Right-to-Use Leased Machinery and Equipment	8	1,083,544	364,356	3 Years	2.74%-6.00%
Right-to-Use Leased General Infrastructure	1	2,914,732	800,059	4 Years	2.69%
<b>Total</b>	<b>13</b>	<b>\$ 7,165,035</b>	<b>\$ 2,051,091</b>		

(1) The lease terms were calculated using weighted averages based on lease payable amounts.

- 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. 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: 1) the increase or decrease in payments after the initial measurement of the subscription liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of \$6,415 for these changes in variable payments not previously included in the measurement of the subscription liability.

The University had five commitments under SBITAs for the right-to-use information technology software before the SBITA term beginning July 1, 2025, ranging from 3 to 5 years with total payments over the period of \$1,429,669.

## Notes to the Financial Statements

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	Interest Rate/ Ranges
Right-to-Use Subscription Assets	57	\$ 7,595,191	\$ 3,128,965	1-7 Years	2.00%-6.00%

**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	\$ 2,051,091	\$ 201,874	\$ 3,128,965	\$ 209,150
2027	2,106,724	135,864	2,051,837	128,222
2028	2,153,278	68,355	1,414,383	67,867
2029	853,942	13,490	666,796	27,221
2030	-	-	262,345	9,147
2031	-	-	70,865	1,694
<b>Total Requirements</b>	<b>\$ 7,165,035</b>	<b>\$ 419,583</b>	<b>\$ 7,595,191</b>	<b>\$ 443,301</b>

### 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	\$ (56,376,610)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(294,299,616)
Effect on Unrestricted Net Position	(350,676,226)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	168,872,494
<b>Total Unrestricted Net Position</b>	<b>\$ (181,803,732)</b>

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.



## 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
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees, Net</b>	<u>\$ 200,158,945</u>	<u>\$ 55,295,717</u>	<u>\$ 182,188</u>	<u>\$ 144,681,040</u>
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$ 43,265,689	\$ 5,706,802	\$ 41,657	\$ 37,517,230
Dining	32,896,975	5,567,612	24,693	27,304,670
Student Union Services	3,039,016	-	-	3,039,016
Health, Physical Education, and Recreation Services	1,325,489	-	18,910	1,306,579
Bookstore	14,644,783	2,087,854	7,273	12,549,656
Parking	8,010,807	556,761	5,262	7,448,784
Athletic	16,968,357	-	-	16,968,357
Other	1,570,148	-	149,356	1,420,792
Sales and Services of Education and Related Activities	7,055,897	-	73,611	6,982,286
Independent Operations	19,044,406	-	23,620	19,020,786
<b>Total Sales and Services, Net</b>	<u>\$ 147,821,567</u>	<u>\$ 13,919,029</u>	<u>\$ 344,382</u>	<u>\$ 133,558,156</u>
<b>Nonoperating Revenues:</b>				
<b>Noncapital Contributions, Net</b>	<u>\$ 47,645,927</u>	<u>\$ -</u>	<u>\$ 182,718</u>	<u>\$ 47,463,209</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	\$ 179,380,042	\$ 13,098,351	\$ 1,000	\$ -	\$ -	\$ 192,479,393
Research	7,211,088	3,158,323	37,559	-	-	10,406,970
Public Service	8,338,568	7,788,442	433,353	-	-	16,560,363
Academic Support	49,044,304	12,202,926	156,013	3,670	-	61,406,913
Student Services	12,636,935	2,424,763	-	-	-	15,061,698
Institutional Support	41,407,432	13,473,258	4,120	-	-	54,884,810
Operations and Maintenance of Plant	25,517,969	12,217,327	-	6,736,289	-	44,471,585
Student Financial Aid	716,409	66,275	21,059,189	-	-	21,841,873
Auxiliary Enterprises	66,400,407	70,069,375	3,890,331	4,813,740	-	145,173,853
Independent Operations	2,903,521	14,912,876	-	-	-	17,816,397
Depreciation/Amortization	-	-	-	-	41,291,603	41,291,603
<b>Total Operating Expenses</b>	<u>\$ 393,556,675</u>	<u>\$ 149,411,916</u>	<u>\$ 25,581,565</u>	<u>\$ 11,553,699</u>	<u>\$ 41,291,603</u>	<u>\$ 621,395,458</u>

## 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 \$9,333,418, and the University's contributions were \$26,118,014 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 \$119,508,361 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 0.80658%, which was an increase of 0.06856 from its proportion measured as of June 30, 2023, which was 0.73802%.

*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:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
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:

<b>Net Pension Liability</b>		
	Current	
1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 219,224,839	\$ 119,508,361	\$ 37,277,514

*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 \$36,232,786. 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	\$ 10,769,779	\$ 353,282
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	19,706,363	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	7,079,841	188,964
Contributions Subsequent to the Measurement Date	26,118,014	-
<b>Total</b>	<b>\$ 63,673,997</b>	<b>\$ 542,246</b>

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	\$ 12,369,175
2027	27,263,632
2028	(509,646)
2029	(2,109,424)
<b>Total</b>	<b>\$ 37,013,737</b>

- 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 \$290,412,034, of which \$106,573,255 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$6,394,395 and \$7,289,611, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions. The amount of plan forfeitures reflected in pension expense was \$295,648.

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### Note 15 - Other Postemployment Benefits

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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 \$18,322,902 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 \$113,568.

## 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 \$340,769 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 \$373,284,226 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 1.09749%, which was an increase of 0.02438 from its proportion measured as of June 30, 2023, which was 1.07311%.

*Disability Income Plan of North Carolina:* At June 30, 2025, the University reported an asset of \$390,532 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 1.18609%, which was an increase of 0.05680 from its proportion measured as of June 30, 2023, which was 1.12929%.

*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.

	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	\$	444,112,268	\$ 373,284,226	\$ 316,416,475
		1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$	(348,224)	\$ (390,532)	\$ (434,999)

*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	\$ 308,119,780	\$ 373,284,226	\$	457,660,738

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:

OPEB Plan	Amount
RHBF	\$ 16,842,553
DIPNC	197,680
<b>Total OPEB Expense</b>	<b>\$ 17,040,233</b>

*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:			
	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 3,042,484	\$ 157,442	\$ 3,199,926
Changes of Assumptions	89,902,085	5,824	89,907,909
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,599,584	306,592	1,906,176
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	16,112,456	12,775	16,125,231
Contributions Subsequent to the Measurement Date	18,322,902	340,769	18,663,671
<b>Total</b>	<b>\$ 128,979,511</b>	<b>\$ 823,402</b>	<b>\$ 129,802,913</b>

**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	\$ -	\$ 449,196	\$ 449,196
Changes of Assumptions	48,668,642	181,946	48,850,588
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>1,326,259</u>	<u>27,627</u>	<u>1,353,886</u>
<b>Total</b>	<b><u>\$ 49,994,901</u></b>	<b><u>\$ 658,769</u></b>	<b><u>\$ 50,653,670</u></b>

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	\$ 1,955,780	\$ (164,898)
2027	12,111,713	(110,532)
2028	27,329,867	51,814
2029	19,264,347	28,047
2030	<u>1</u>	<u>19,433</u>
<b>Total</b>	<b><u>\$ 60,661,708</u></b>	<b><u>\$ (176,136)</u></b>

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**Note 16 - Risk Management**

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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 \$5,000 per occurrence deductible. The University purchases All Risk (Special Form) coverage for all state-owned buildings and contents through the Fund and flood coverage for buildings and contents with increased risk of flood exposure. Losses are subject to a \$100,000 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 Office of State Fire Marshall. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays the covered amount 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. These policies provide insurance coverage for participants in international educational and study abroad programs, as well as those involved in University camp programs. These policies also provide out-of-state worker's compensation insurance, boiler and machinery coverage, drone liability protection, business travel insurance, fine art coverage, student blanket professional liability coverage, athletic accident insurance, medical professional liability for designated staff at the Student Health Center, volunteer liability insurance, inland marine coverage for equipment as needed, leased computerized business equipment insurance, cyber insurance, crime/theft insurance, athletics event cancellation insurance, and excess liability on certain policies.

On September 27, 2024, Hurricane Helene brought over 15 inches of rain to the University in a very short period, overwhelming stormwater infrastructure and damaging at least four major University facilities. Risk Management coordinated with the North Carolina Department of Insurance, which advised immediate remediation. The University has received \$3,442,540 from insurance for Hurricane Helene claims submitted thus far. Risk Management recently submitted another claim package totaling \$62,919, but the University has not yet received those funds. Insurance claims for damages to property and contents occurring as a result of Hurricane Helene are still ongoing. Claims can be submitted to insurance for payment up to three years from the date of loss.

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## Note 17 - Commitments and Contingencies

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- 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 \$234,571,722 and on other purchases were \$12,144,785 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.

## Note 18 - 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 June 30, 2025

	University	Appalachian State University Foundation, Inc.	Appalachian Real Estate Development Corporation	Eliminations	Total
<b>ASSETS</b>					
Current Assets	\$ 215,707,669	\$ 43,693,872	\$ 11,665,681	\$ (2,086,359)	\$ 268,980,863
Capital Assets, Net	1,019,258,856	2,193,059	91,194,754	(46,940,990)	1,065,705,679
Other Noncurrent Assets	142,770,764	219,178,532	184,922,336	(67,035,000)	479,836,632
Total Assets	1,377,737,289	265,065,463	287,782,771	(116,062,349)	1,814,523,174
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	199,101,083	-	-	-	199,101,083
<b>LIABILITIES</b>					
Current Liabilities	82,028,870	2,354,469	2,752,139	(3,961,359)	83,174,119
Long-Term Liabilities, Net	885,254,516	3,229,805	190,164,563	(65,160,000)	1,013,488,884
Other Noncurrent Liabilities	4,571,155	1,227,076	-	-	5,798,231
Total Liabilities	971,854,541	6,811,350	192,916,702	(69,121,359)	1,102,461,234
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	146,517,876	3,186,977	46,940,990	(46,940,990)	149,704,853
<b>NET POSITION</b>					
Net Investment in Capital Assets	608,384,146	309,059	36,885,533	(72,354,532)	573,224,206
Restricted - Nonexpendable	22,325,275	111,510,708	-	-	133,835,983
Restricted - Expendable	34,758,373	129,088,808	-	72,354,532	236,201,713
Unrestricted	(207,001,839)	14,158,561	11,039,546	-	(181,803,732)
Total Net Position	\$ 458,465,955	\$ 255,067,136	\$ 47,925,079	\$ -	\$ 761,458,170

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

	University	Appalachian State University Foundation, Inc.	Appalachian Real Estate Development Corporation	Eliminations	Total
<b>OPERATING REVENUES</b>					
Student Tuition and Fees, Net	\$ 144,681,040	\$ -	\$ -	\$ -	\$ 144,681,040
Grants and Contracts	11,971,276	-	-	-	11,971,276
Sales and Services, Net	127,373,455	463,470	14,400,526	(8,679,295)	133,558,156
Other	1,752,785	22,753	482,416	-	2,257,954
Total Operating Revenues	285,778,556	486,223	14,882,942	(8,679,295)	292,468,426
<b>OPERATING EXPENSES</b>					
Operating Expenses	574,197,460	34,596,188	3,296,274	(31,986,067)	580,103,855
Depreciation/Amortization	47,238,461	161,419	2,554,474	(8,662,751)	41,291,603
Total Operating Expenses	621,435,921	34,757,607	5,850,748	(40,648,818)	621,395,458
Operating Income (Loss)	(335,657,365)	(34,271,384)	9,032,194	31,969,523	(328,927,032)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State Appropriations	214,261,461	-	-	-	214,261,461
Student Financial Aid	62,227,622	-	-	-	62,227,622
Noncapital Contributions	50,095,178	27,281,355	90,236	(30,003,560)	47,463,209
Investment Income, Net	13,894,974	22,142,219	839,568	1,466	36,878,227
Interest and Fees on Debt	(10,524,985)	(304,480)	(1,423,356)	1,423,210	(10,829,611)
Other Nonoperating Revenues (Expenses)	(658,893)	50,738	1,542,823	(1,424,676)	(490,008)
Net Nonoperating Revenues	329,295,357	49,169,832	1,049,271	(30,003,560)	349,510,900
Capital Contributions	70,805,632	912,043	-	(1,765,963)	69,951,712
Additions to Endowments	700,000	10,940,829	-	(200,000)	11,440,829
Total Other Revenues	71,505,632	11,852,872	-	(1,965,963)	81,392,541
Increase in Net Position	65,143,624	26,751,320	10,081,465	-	101,976,409
<b>NET POSITION</b>					
Net Position, July 1, 2024 (as Restated)	393,322,331	228,315,816	37,843,614	-	659,481,761
Net Position, June 30, 2025	\$ 458,465,955	\$ 255,067,136	\$ 47,925,079	\$ -	\$ 761,458,170

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

	University	Appalachian State University Foundation, Inc.	Appalachian Real Estate Development Corporation	Eliminations	Total
Net Cash Provided (Used) by Operating Activities	\$ (282,245,125)	\$ (28,912,126)	\$ 2,995,328	\$ 25,424,427	\$ (282,737,496)
Total Cash Provided by Noncapital Financing Activities	326,965,769	35,050,191	40,236	(26,850,891)	335,205,305
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(24,321,561)	(48,095)	110,762,317	1,426,464	87,819,125
Net Cash Provided (Used) by Investing Activities	8,750,755	(6,434,767)	2,281,386	-	4,597,374
Net Increase (Decrease) in Cash and Cash Equivalents	29,149,838	(344,797)	116,079,267	-	144,884,308
Cash and Cash Equivalents, July 1, 2024	214,965,109	41,552,206	10,800,711	-	267,318,026
Cash and Cash Equivalents, June 30, 2025	\$ 244,114,947	\$ 41,207,409	\$ 126,879,978	\$ -	\$ 412,202,334

### Note 19 - 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 20 - Net Position Restatements

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

	Amount
July 1, 2024 Net Position as Previously Reported	\$ 649,045,836
Restatements:	
Restate Capital Assets, Net - Prior Year Error Correction	7,857,016
Beneficial Interest in Assets Held by Others and Related Deferred Inflows - Prior Year Error Correction	(568,427)
Restate Compensated Absences Liability - Implementation of GASB Statement No. 101	3,147,336
<b>July 1, 2024 Net Position as Restated</b>	<b>\$ 659,481,761</b>

In accordance with GASB Statement No. 101, Compensated Absences implementation, the University updated its measurement of compensated absences to exclude employer pension and other postemployment benefit (OPEB) contributions. These costs are already included in the

respective pension and OPEB liabilities under GASB Statements No. 68 and 75. The effect of this change decreased the compensated absences liability as of June 30, 2024 by \$3,147,336 and increased unrestricted net position by the same amount.

During fiscal year 2025, the University identified errors related to the classification of capital related expenses as part of an annual review process. The corrections increased balances in construction in progress by \$5,826,597, buildings by \$2,126,481, and accumulated depreciation by \$96,062. The net effect was an increase in net investment in capital assets by \$7,857,016 as of June 30, 2024.

During year end reporting procedures and review of GASB standards, the Foundation identified an error in reporting perpetual trusts and remainder trusts. The corrections decreased beneficial interest in perpetual trusts by \$1,855,831 and deferred inflows for trusts held by others by \$1,287,404. This resulted in an overall decrease of \$568,427 in restricted expendable net position as of June 30, 2024.



# **Required Supplementary Information**



**Appalachian State University**  
**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 B-1**

<b>Teachers' and State Employees' Retirement System</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.80658%	0.73802%	0.67135%	0.67702%	0.68133%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 119,508,361	\$ 123,042,569	\$ 99,643,365	\$ 31,702,145	\$ 82,318,270
Covered Payroll	\$ 141,528,483	\$ 126,645,205	\$ 109,807,013	\$ 105,783,295	\$ 105,255,412
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	84.44%	97.16%	90.74%	29.97%	78.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.35%	82.97%	84.14%	94.86%	85.98%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.67358%	0.62781%	0.62049%	0.59985%	0.57921%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 69,829,749	\$ 62,505,322	\$ 49,232,413	\$ 55,132,411	\$ 21,345,035
Covered Payroll	\$ 101,764,996	\$ 94,335,041	\$ 89,737,238	\$ 85,376,440	\$ 83,116,332
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	68.62%	66.26%	54.86%	64.58%	25.68%
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.

**Appalachian State University**  
**Required Supplementary Information**  
**Schedule of University Contributions**  
**Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan**  
**Last Ten Fiscal Years**

**Exhibit B-2**

<b>Teachers' and State Employees' Retirement System</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Contractually Required Contribution	\$ 26,118,014	\$ 24,965,624	\$ 22,010,937	\$ 17,986,389	\$ 15,634,771
Contributions in Relation to the Contractually Determined Contribution	26,118,014	24,965,624	22,010,937	17,986,389	15,634,771
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 155,556,965	\$ 141,528,483	\$ 126,645,205	\$ 109,807,013	\$ 105,783,295
Contributions as a Percentage of Covered Payroll	16.79%	17.64%	17.38%	16.38%	14.78%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually Required Contribution	\$ 13,651,627	\$ 12,506,918	\$ 10,169,317	\$ 8,955,776	\$ 7,811,944
Contributions in Relation to the Contractually Determined Contribution	13,651,627	12,506,918	10,169,317	8,955,776	7,811,944
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 105,255,412	\$ 101,764,996	\$ 94,335,041	\$ 89,737,238	\$ 85,376,440
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.

# Appalachian State University

## 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:*

Teachers' and State Employees' Retirement System	<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>
	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

**Appalachian State University**  
**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 B-3**  
**Page 1 of 2**

<b>Retiree Health Benefit Fund</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Proportionate Share Percentage of Collective Net OPEB Liability	1.09749%	1.07311%	1.02683%	1.03684%	1.03789%
Proportionate Share of Collective Net OPEB Liability	\$ 373,284,226	\$ 285,956,342	\$ 243,840,361	\$ 320,543,877	\$ 287,920,246
Covered Payroll	\$ 242,786,052	\$ 223,709,504	\$ 201,564,912	\$ 192,850,042	\$ 193,829,196
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	153.75%	127.82%	120.97%	166.21%	148.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.79%	10.73%	10.58%	7.72%	6.92%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	
Proportionate Share Percentage of Collective Net OPEB Liability	1.03909%	1.00750%	0.96582%	1.08025%	
Proportionate Share of Collective Net OPEB Liability	\$ 328,761,498	\$ 287,017,119	\$ 316,660,087	\$ 469,945,468	
Covered Payroll	\$ 188,808,035	\$ 179,056,042	\$ 172,557,711	\$ 164,465,182	
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	174.12%	160.29%	183.51%	285.74%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%	

**Appalachian State University**  
**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 B-3**  
**Page 2 of 2**

<b>Disability Income Plan of North Carolina</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	1.18609%	1.12929%	1.05942%	1.05539%	1.08263%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (390,532)	\$ 300,346	\$ 315,157	\$ (172,387)	\$ (532,589)
Covered Payroll	\$ 242,786,052	\$ 223,709,504	\$ 201,564,912	\$ 192,850,042	\$ 193,829,196
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.16%	0.13%	0.16%	0.09%	0.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	114.99%	90.61%	90.34%	105.18%	115.57%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	1.07350%	1.04545%	1.05029%	1.01711%	
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (463,215)	\$ (317,566)	\$ (641,937)	\$ (631,625)	
Covered Payroll	\$ 188,808,035	\$ 179,056,042	\$ 172,557,711	\$ 164,465,182	
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.25%	0.18%	0.37%	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.

**Appalachian State University**  
**Required Supplementary Information**  
**Schedule of University Contributions**  
**Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans**  
**Last Ten Fiscal Years**

**Exhibit B-4**  
**Page 1 of 2**

<b>Retiree Health Benefit Fund</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Contractually Required Contribution	\$ 18,322,902	\$ 17,334,924	\$ 15,413,585	\$ 12,678,433	\$ 12,882,383
Contributions in Relation to the Contractually Determined Contribution	18,322,902	17,334,924	15,413,585	12,678,433	12,882,383
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 262,130,220	\$ 242,786,052	\$ 223,709,504	\$ 201,564,912	\$ 192,850,042
Contributions as a Percentage of Covered Payroll	6.99%	7.14%	6.89%	6.29%	6.68%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually Required Contribution	\$ 12,540,749	\$ 11,838,264	\$ 10,832,891	\$ 10,025,603	\$ 9,210,050
Contributions in Relation to the Contractually Determined Contribution	12,540,749	11,838,264	10,832,891	10,025,603	9,210,050
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 193,829,196	\$ 188,808,035	\$ 179,056,042	\$ 172,557,711	\$ 164,465,182
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

**Appalachian State University**  
**Required Supplementary Information**  
**Schedule of University Contributions**  
**Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans**  
**Last Ten Fiscal Years**

**Exhibit B-4**  
**Page 2 of 2**

<b>Disability Income Plan of North Carolina</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Contractually Required Contribution	\$ 340,769	\$ 267,065	\$ 223,710	\$ 181,408	\$ 173,565
Contributions in Relation to the Contractually Determined Contribution	340,769	267,065	223,710	181,408	173,565
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 262,130,220	\$ 242,786,052	\$ 223,709,504	\$ 201,564,912	\$ 192,850,042
Contributions as a Percentage of Covered Payroll	0.13%	0.11%	0.10%	0.09%	0.09%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually Required Contribution	\$ 193,829	\$ 264,331	\$ 250,678	\$ 655,719	\$ 674,307
Contributions in Relation to the Contractually Determined Contribution	193,829	264,331	250,678	655,719	674,307
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 193,829,196	\$ 188,808,035	\$ 179,056,042	\$ 172,557,711	\$ 164,465,182
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.



# Appalachian State University

## 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

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*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***

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Board of Trustees  
Appalachian State University  
Boone, 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 Appalachian State University (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 December 9, 2025. Our report includes a reference to other auditors who audited the financial statements of Appalachian State University Foundation, Inc. (Foundation) and Appalachian Real Estate Development Corporation (Corporation), as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation.

## **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 opinion 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

December 9, 2025

# Ordering Information

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