

East Carolina University

Greenville, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2024

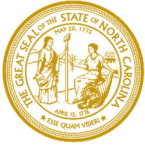
A Constituent Institution of the University of North Carolina System

UNBIASED. IMPACTFUL. IRREFUTABLE.



A Department of the
State of North Carolina





North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

Auditor's Transmittal

The Honorable Roy Cooper, Governor
Honorable Members of the North Carolina General Assembly
Board of Trustees, East Carolina University

We have completed a financial statement audit of East Carolina University for the year ended June 30, 2024, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

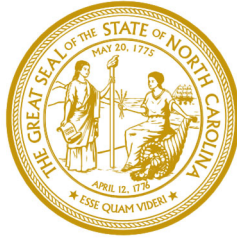
A handwritten signature in black ink that reads "Jessica N. Holmes, J.D.". The signature is written in a cursive, flowing style.

Jessica N. Holmes, J.D.
State Auditor

Table of Contents

	Page
Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Exhibits	
Business-Type Activities:	
A-1 Statement of Net Position	16
A-2 Statement of Revenues, Expenses, and Changes in Net Position	18
A-3 Statement of Cash Flows.....	19
Fiduciary Activities:	
B-1 Statement of Fiduciary Net Position.....	21
B-2 Statement of Changes in Fiduciary Net Position	22
Discretely Presented Component Unit:	
C-1 Consolidated Statements of Financial Position	23
C-2 Consolidated Statements of Activities	24
Notes to the Financial Statements	25
Required Supplementary Information	
D-1 Schedule of the Proportionate Share of the Net Pension Liability (Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan).....	65
D-2 Schedule of University Contributions (Cost-Sharing, Multiple- Employer, Defined Benefit Pension Plan)	66
Notes to Required Supplementary Information (Cost-Sharing, Multiple- Employer, Defined Benefit Pension Plan).....	67
D-3 Schedule of the Proportionate Share of the Net OPEB Liability or Asset (Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans).....	68
D-4 Schedule of University Contributions (Cost-Sharing, Multiple- Employer, Defined Benefit OPEB Plans).....	70
Notes to Required Supplementary Information (Cost-Sharing, Multiple- Employer, Defined Benefit OPEB Plans)	72
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 <i>Government Auditing Standards</i>	73
Ordering Information	75

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

Jessica N. Holmes, J.D., State Auditor

Independent Auditor's Report

Board of Trustees
East Carolina University
Greenville, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of East Carolina 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, and its discretely presented component unit, as of and for the year ended June 30, 2024, 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 report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of East Carolina University, and its discretely presented component unit, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliates, the University's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for East Carolina University Foundation, Inc. and Consolidated Affiliates, are based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The University's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAGAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

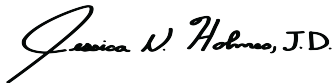
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

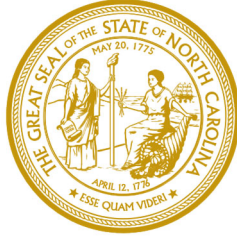
In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.



Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

November 12, 2024



Management's Discussion and Analysis

Introduction

East Carolina University (ECU or University) provides this Management's Discussion and Analysis to assist in understanding the financial statements and related notes for the fiscal year ended June 30, 2024. The University is one of the 16 universities in the University of North Carolina System (UNC System), a component unit of the State of North Carolina, and an integral part of the State's *Annual Comprehensive Financial Report*.

The University's financial report includes five financial statements:

- ECU Statement of Net Position, Proprietary Fund;
- ECU Statement of Revenues, Expenses, and Changes in Net Position, Proprietary Fund;
- ECU Statement of Cash Flows, Proprietary Fund;
- ECU Statement of Fiduciary Net Position; and
- ECU Statement of Changes in Fiduciary Net Position.

The financial report also includes two financial statements from the discretely presented component unit:

- ECU Foundation, Inc. and Consolidated Affiliates Consolidated Statements of Financial Position; and
- ECU Foundation, Inc. and Consolidated Affiliates Consolidated Statements of Activities.

Four Required Supplementary Information (RSI) schedules are provided as follows:

- Schedule of the Proportionate Share of the Net Pension Liability Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan;
- Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan;
- Schedule of the Proportionate Share of the Net OPEB Liability or Asset Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans; and
- Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans.

Presentation of Information

The University's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities.

In the fiscal year ended June 30, 2024, ECU implemented GASB Implementation Guide 2021-1 Section 5.1. The objective of this guide is clarifying that "a government should capitalize assets whose individual costs are less than the capitalization threshold for an individual asset if those assets are significant". Individual entities within the government are now required to assess acquisitions of similar assets purchased as a group near the same time with a single objective that have significant value in aggregate, to be capitalized even if the individual assets fall below the capitalization threshold of \$5,000.

Per GASB standards, the University's Foundation is reported as a component unit in the financial statements and is excluded from this Management's Discussion and Analysis unless specifically noted. For more details on the University's component unit, see Note 1 to the Financial Statements.

This discussion and analysis provides an overview of the University's financial position and activities for the year ended June 30, 2024, emphasizing current year data and significant changes between the prior and current fiscal years. Comparative information for the year ended June 30, 2023, is provided where applicable. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements that are included in this annual report. The Statement of Net Position Proprietary Fund reports the University's overall financial position. The Statement of Revenues, Expenses, and Changes in Net Position Proprietary Fund provides a summation of the results of operations, and the Statement of Cash Flows Proprietary Fund identifies the sources of cash and how cash was used during the year. Management's Discussion and Analysis concentrates on the University's Proprietary Fund Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position as condensed comparative financial information is not required for fiduciary activities.

For the fiscal year ended June 30, 2024, the University's financial position remains stable. Net position increased \$90.6 million, reflecting general financial strength. The change in net position is a key measure of the sum effect of the University's fiscal year activities on its financial health. The University recognized approximately \$1.15 billion in revenues and incurred approximately \$1.05 billion in expenses.

Statement of Net Position Proprietary Fund

The Statement of Net Position Proprietary Fund presents a fiscal snapshot of the University's financial position at a point-in-time, specifically, as of June 30, 2024, and includes all assets, deferred outflows and inflows of resources, liabilities, and net position of the University. Asset and liability balances are classified as either current or noncurrent. Assets classified as current are those that are available to pay for current liabilities or current year expenditures. Liabilities classified as current are those that are due and payable in the next fiscal year. The net position balances are classified as either net investment in capital assets, restricted, or unrestricted. Net position represents the residual interest in the University's assets and deferred outflows of resources net of its liabilities and deferred inflows of resources. The change in net position is an indicator of whether the overall financial condition of the University has improved or worsened during the year. The following table presents a summarized comparison of these accounts at a specific point in time, June 30, 2024 and 2023.

Condensed Statement of Net Position

Proprietary Fund

(Dollars in Thousands)

	2024	2023	Change
Assets			
Current Assets	\$ 495,189	\$ 467,042	\$ 28,147
Noncurrent Assets:			
Capital Assets - Depreciable, Net	1,192,423	1,211,723	(19,300)
Capital Assets - Nondepreciable	90,137	65,163	24,974
Other Noncurrent Assets	168,090	153,758	14,332
Total Assets	1,945,839	1,897,686	48,153
Deferred Outflows of Resources	252,307	218,260	34,047
Liabilities			
Current Liabilities:			
Long-Term Liabilities - Current Portion	32,725	33,661	(936)
Other Current Liabilities	72,874	63,586	9,288
Total Current Liabilities	105,599	97,247	8,352
Noncurrent Liabilities:			
Long-Term Liabilities, Net	1,202,517	1,121,776	80,741
Other Noncurrent Liabilities	15,527	15,196	331
Total Noncurrent Liabilities	1,218,044	1,136,972	81,072
Total Liabilities	1,323,643	1,234,219	89,424
Deferred Inflows of Resources	211,100	308,894	(97,794)
Net Position			
Net Investment in Capital Assets	899,778	882,956	16,822
Restricted	173,692	151,669	22,023
Unrestricted	(410,067)	(461,792)	51,725
Total Net Position	\$ 663,403	\$ 572,833	\$ 90,570
Total Assets + Deferred Outflows	\$ 2,198,146	\$ 2,115,946	\$ 82,200
Total Liabilities + Deferred Inflows	(1,534,743)	(1,543,113)	8,370
Total Net Position	\$ 663,403	\$ 572,833	\$ 90,570

This statement may slightly differ from the financial statements because of rounding.

Total assets and deferred outflows of resources increased by \$82.2 million. Total liabilities and deferred inflows of resources decreased by \$8.4 million, for a net growth of \$90.6 million in the University's total net position.

Assets

Current assets increased \$28.1 million, primarily from a \$22.9 million net increase in cash. Cash increases include approximately \$3.2 million of overhead reserves related to increased grants and contracts activity, and \$17.9 million of reserves attributable to increased revenues across the University's enterprises, as well as efforts to conserve resources for future needs.

Depreciable capital assets, net decreased \$19.3 million, which is largely due to a net increase in total accumulated depreciation/amortization of \$47.6 million. The increase in accumulated depreciation was the result of typical annual depreciation/amortization expense. Nondepreciable

capital assets increased by \$25.0 million, largely due to construction in progress (CIP) balances increasing by \$24.5 million at year end. The increase to CIP was related to steam infrastructure projects, a new medical education building, the Howell Science Building project, Mendenhall Building project, and various other major projects. Refer to Note 6 - Capital Assets for more details.

Other net noncurrent assets increased by \$14.3 million. This includes restricted noncurrent cash increasing by \$4.4 million as a net result of additional funds being held at year end for capital improvements and previously issued bond proceed balances being spent on qualifying projects. Additionally, endowment investments increased by \$10.4 million due to both contributions and increased returns on endowment balances.

Deferred Outflows and Deferred Inflows of Resources

The deferred outflows of resources increase of \$34.0 million and deferred inflows of resources decrease of \$97.8 million are primarily derived from changes in net pension liability and net other postemployment benefits (OPEB) liability, due to valuation changes as determined by the plans' actuaries. These adjustments are provided annually by the state agencies referenced in Notes 13 and 14 and may vary widely year to year. Please refer to the notes for additional information regarding the University's participation in the Teachers' and State Employees' Retirement System (TSERS) and OPEB plans.

Liabilities

Current liabilities increased \$8.4 million primarily due to increases in operating accounts payable, accrued payroll, and capital accounts payable as compared to the prior year. Operating accounts payable increased \$2.9 million due to an increase in payables caused by timing differences in payment for purchases. Accrued payroll increased \$2.8 million due to changes in retirement and the new physician's compensation plan. Capital accounts payable increased \$2.4 million due to an increase in construction during the period.

Noncurrent liabilities increased by \$81.1 million overall. Capital debt decreased by \$16.0 million due to continued payments on debt. Other long-term liabilities increased by \$95.8 million partially due to the net effect of an OPEB liability increase of \$60.2 million, and a pension liability increase of \$36.0 million. Refer to Note 8 - Long-Term Liabilities for more details.

Net Position

The University's net position consists of three primary classifications: net investment in capital, restricted funds, and unrestricted funds. Net investment in capital assets increased \$16.8 million, restricted funds increased \$22.0 million, and unrestricted funds increased by \$51.7 million. The total net position increased by \$90.6 million.

The increase in net investment in capital assets is primarily due to the increase in construction in progress and the decrease in debt liabilities discussed above. Additional details are in the Capital Assets and Capital Debt sections.

Restricted net position includes the University's permanent endowment fund and expendable funds subject to externally imposed restrictions governing their use. Increases in restricted net position are attributable to increased cash and investment balances discussed above.

The unrestricted portion of the University's net position is net equity available for any lawful purpose of the University. The deficit in unrestricted net position has been significantly affected by the reporting of net pension liability and net OPEB liability, and the related deferred outflows of resources and deferred inflows of resources. Excluding the effect of these items, the positive unrestricted net position grew from \$350.5 million to \$366.6 million, or \$16.1 million, primarily due to the changes in cash discussed above.

The University's liquidity is stable. The current ratio decreased slightly from 4.8 at June 30, 2023, to 4.7 at June 30, 2024. This liquidity ratio, defined as current assets divided by current liabilities, indicates the University could pay its current obligations almost five times before current assets are exhausted. Working capital, defined as current assets minus current liabilities, was \$389.6 million on June 30, 2024, a \$19.8 million increase from the prior year's working capital. The amount of available working capital remains strong and is a measure of the University's ability to meet its short-term obligations.

Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund

The Statement of Revenues, Expenses, and Changes in Net Position Proprietary Fund presents revenues earned and expenses incurred during the fiscal year, providing information to evaluate the University's management of operations and maintenance of financial strength. Activities are classified and reported as operating, nonoperating, or other revenues. In general, operating revenues are generated by providing goods and services and operating expenses are incurred to acquire or produce the goods and services needed to fulfill the mission of the University. The University consistently shows an operational loss (operating revenues minus operating expenses) because public universities are dependent on state appropriations, which are not included in operating revenues. State appropriations, federal aid for COVID-19, noncapital contributions (grants and gifts), and investment income (net of investment expense) are classified as nonoperating because they are revenues received for which goods and services are not provided. When the nonoperating revenues, net of nonoperating expenses (chiefly interest and fee payments on capital assets), are added to the operational loss, the University shows income before other revenues of \$61.0 million. Other revenues include capital contributions (grants and gifts), and additions to endowments. When these other revenues are added, the University's net position increased \$90.6 million. The University's total net position at June 30, 2024 was \$663.4 million. The following table presents a summarized comparison of the statements as of June 30, 2024 and June 30, 2023.

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

Proprietary Fund

(Dollars in Thousands)

	2024	2023	Change
Operating Revenues			
Student Tuition and Fees, Net	\$ 190,024	\$ 187,546	\$ 2,478
Patient Services, Net	257,222	244,760	12,462
Grants and Contracts	74,693	69,803	4,890
Sales and Services, Net	102,727	97,603	5,124
Other	3,172	3,044	128
Total Operating Revenues	627,838	602,756	25,082
Operating Expenses			
Salaries and Benefits	684,127	546,933	137,194
Supplies and Services	246,064	228,621	17,443
Scholarships and Fellowships	42,274	46,850	(4,576)
Utilities	18,591	19,626	(1,035)
Depreciation/Amortization	52,256	50,890	1,366
Total Operating Expenses	1,043,312	892,920	150,392
Operating Loss	(415,474)	(290,164)	(125,310)
Nonoperating Revenues (Expenses)			
State Appropriations and Aid	368,693	355,729	12,964
Federal Aid - COVID-19	1,810	14,368	(12,558)
Noncapital Contributions and Grants	89,518	75,141	14,377
Investment Income, Net	27,147	15,415	11,732
Interest and Fees on Debt	(11,157)	(12,219)	1,062
Other Nonoperating Revenue (Expenses)	495	(1,202)	1,697
Net Nonoperating Revenues	476,506	447,232	29,274
Income Before Other Revenues	61,032	157,068	(96,036)
Capital Contributions	27,285	18,228	9,057
Additions to Endowments	2,253	2,297	(44)
Increase in Net Position	90,570	177,593	(87,023)
Net Position - July 1	572,833	395,240	177,593
Net Position - June 30	\$ 663,403	\$ 572,833	\$ 90,570

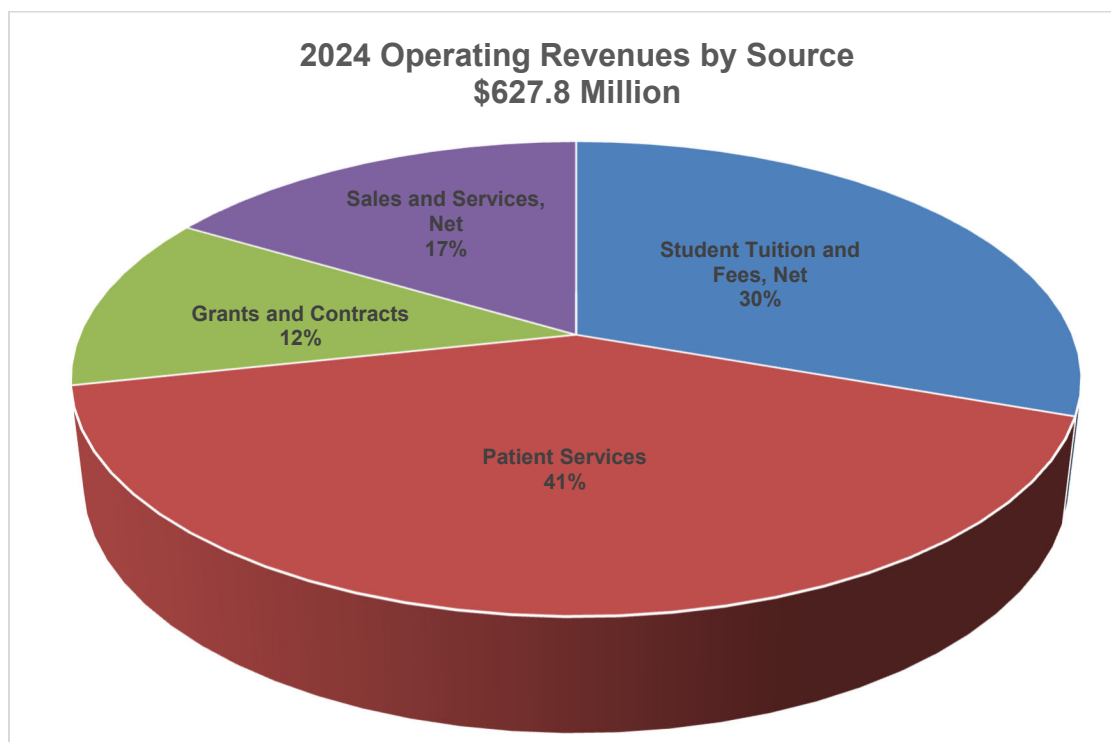
Fiscal year 2023-2024 total revenues are \$1,145,363 and total expenses are \$1,054,793. Expenses include investment expenses of \$25.1 million. Fiscal year 2022-2023 total revenues are \$1,084,095 and total expenses are \$906,502. Expenses include investment expenses of \$

This statement may slightly differ from the financial statements because of rounding.

Operating Revenue

The University generates operating revenues by providing goods and services related to its instruction, research, and public service missions. Total operating revenues increased \$25.1 million. The largest change was a \$12.5 million increase in net patient service revenues, due to the increase in clinic time proficiency and the physician incentive program tied to clinic visits. Sales and services revenues increased \$5.1 million and is the accumulation of increased auxiliary enterprises activities, including student housing \$1.4 million, dining \$2.1 million, health, physical education, and recreation services \$1.0 million, and other miscellaneous services \$600 thousand. Grants and contracts increased \$4.9 million, reflecting a continued increase in sponsor funding.

The following chart shows each operating revenue component as it relates to total operating revenues:

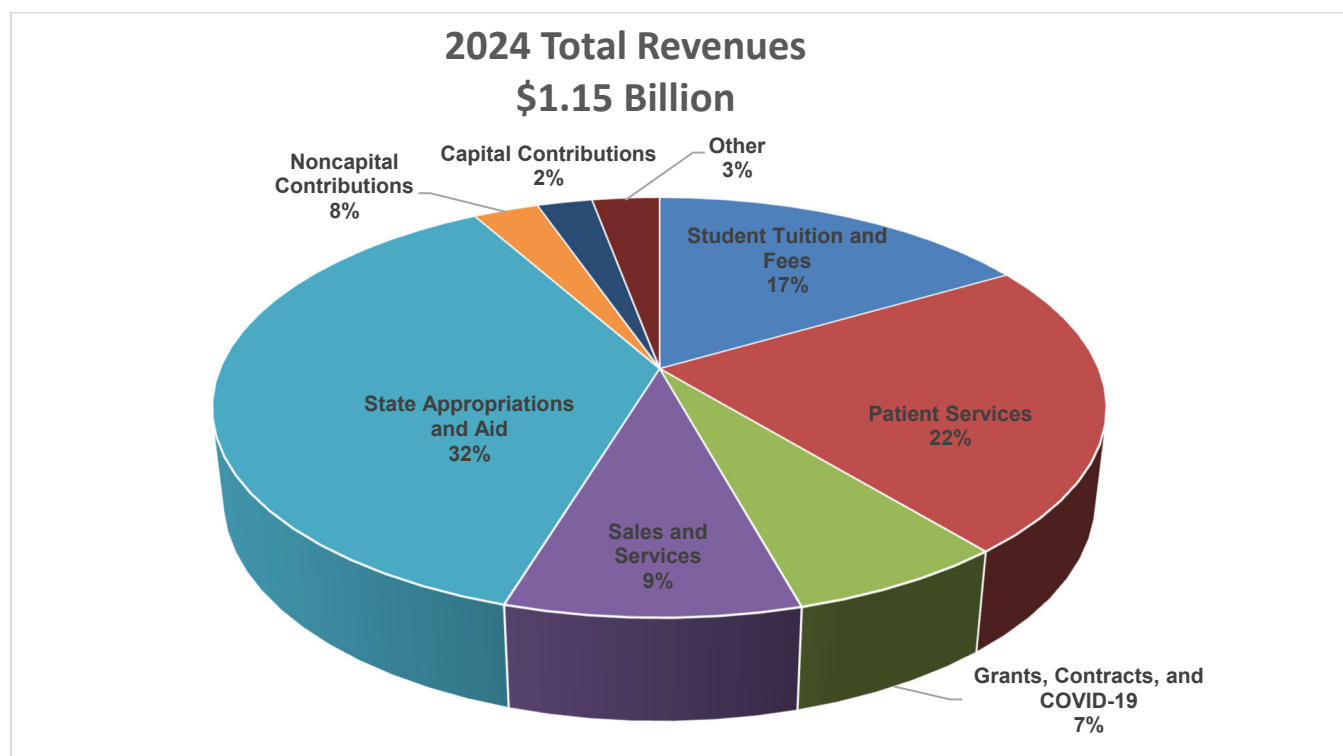


Nonoperating Revenues

The University generates revenues in addition to its principal operations. These items are classified as nonoperating and other. Total net nonoperating revenues increased \$29.3 million from the prior year. The largest changes include:

- An increase of \$14.4 million in noncapital contributions and grants. The increase is predominately related to \$10.4 million of funding from the American Rescue Plan Act (ARPA) Temporary Savings Fund, as a result of the State of North Carolina's Medicaid expansion, and \$2.7 million of additional state and federal aid for need-based scholarship support programs.
- An increase of \$13.0 million in state appropriations and aid. The increase in state appropriations and aid is largely attributable to legislative salary increases and adjustments, as well as benefit rate increases.
- Because ECU expended all of its remaining Higher Education Emergency Relief Fund (HEERF) funds in fiscal year ending June 30, 2023, federal aid - COVID-19 decreased \$12.6 million.
- An increase of \$11.7 million in investment income due to improved financial market returns.
- Capital contributions increased \$9.0 million and is mostly attributable from state capital appropriations to complete various construction projects.

The following chart illustrates the University's total revenues by source (operating, nonoperating, and other revenues) which totals approximately \$1.15 billion for fiscal year end 2024.

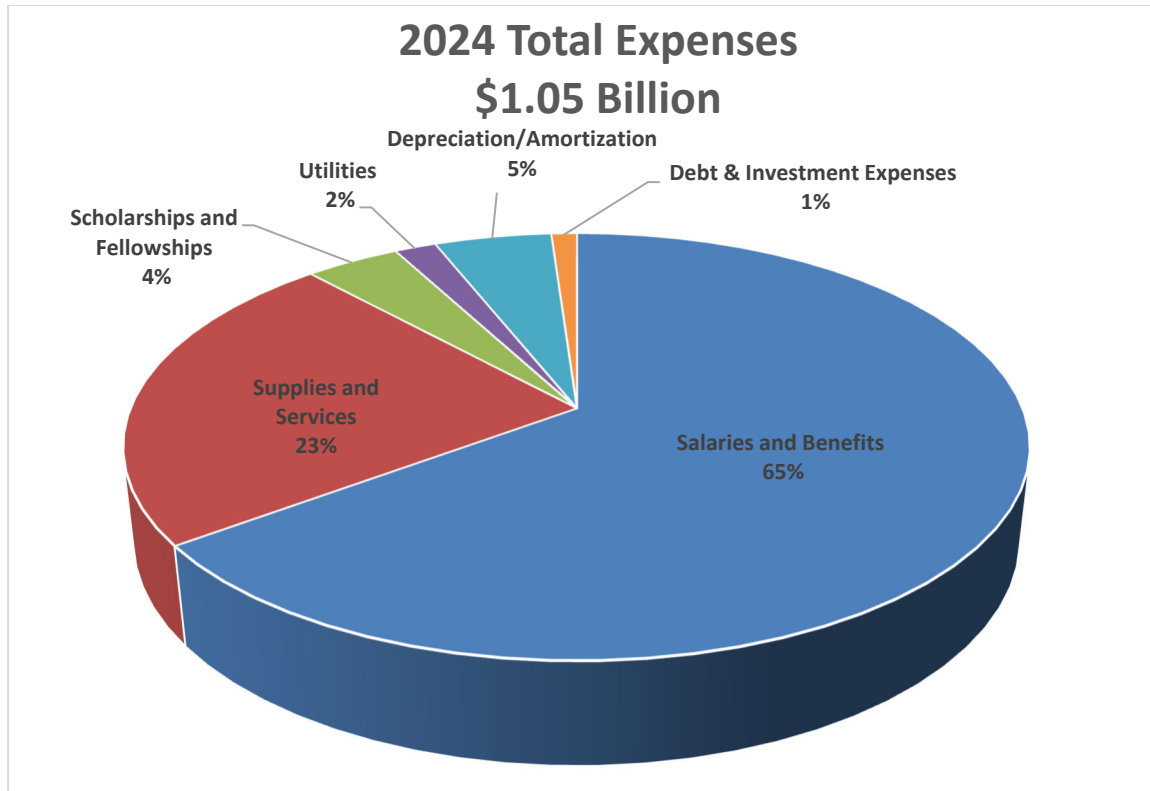


Operating Expenses

Total operating expenses were \$1.0 billion for fiscal year end 2024. Operating expenses are the day-to-day expenses incurred to carry out the mission of the University and are reported by natural classification. Classification amounts changed at varying rates with an overall net increase of \$150.4 million.

Salaries and benefits increased \$137.2 million. The increase is largely attributable to pension and OPEB amortization increases, as well as raises and incentive pay. Refer to Notes 13 and 14 for more information related to pension and OPEB.

Supplies and services increased \$17.4 million. The increase is largely attributable to increased expenses for food services, expanded services, technology related purchases, ECU Health contractual services, grant expenditures, and student recruitment. Scholarships and fellowship expense decreased by \$4.6 million primarily due to the decrease in payments to students related to HEERF.



Total expenses for fiscal year ending June 30, 2024, were \$1.05 billion, and includes operating expenses, nonoperating investment income expenses, interest and fees on debt, and other nonoperating net expenses.

Capital Assets

Capital assets for the University are comprised of nondepreciable and depreciable assets. Nondepreciable assets include land and construction in progress. Depreciable assets include buildings, machinery and equipment, general infrastructure, computer software, right-to-use leased buildings, right-to-use leased machinery and equipment, and right-to-use subscription assets. Completed buildings comprise 70.4% of the University's capital assets, net of accumulated depreciation.

The acquisition, construction and improvement of its capital assets are vital to the University's mission. The University continues to implement its long-range plan to modernize older instructional, research, and residential facilities with renovations and new construction.

Capital assets on June 30, 2024, and June 30, 2023, are as follows:

Capital Assets

(Dollars in Thousands)

	2024	2023	Change
Land	\$ 53,020	\$ 52,544	\$ 476
Construction in Progress	37,116	12,619	24,497
Buildings	1,278,887	1,276,843	2,044
Machinery and Equipment	204,951	189,417	15,534
General Infrastructure	215,620	215,520	100
Computer Software	13,336	13,336	-
Right-to-Use Leased Buildings	29,949	36,031	(6,082)
Right-to-Use Leased Machinery and Equipment	2,172	2,172	-
Right-to-Use Subscription Assets	49,564	32,831	16,733
Total Capital Assets	1,884,615	1,831,313	53,302
Accumulated Depreciation and Amortization	602,055	554,427	47,628
Capital Assets, Net	\$ 1,282,560	\$ 1,276,886	\$ 5,674

Capital additions consist primarily of replacement, improvement, and new capital assets construction, as well as significant investments in equipment, including information technology (IT). Machinery and equipment additions increased \$15.5 million. \$7.2 million of this increase is derived from the grouping of similar equipment assets as prescribed in GASB Implementation Guide 2021-1 Section 5.1.

The University's capital assets, as of fiscal year end 2024, are approximately \$1.3 billion. The University uses debt financing, student fees, state capital contributions, and University sources to provide funding for capital projects. The amount of construction in progress changes as construction costs on existing projects are incurred, completed projects are removed, and new projects are added. As construction projects are completed, depreciable assets increase with an appropriate increase in accumulated depreciation.

Capital Debt

The University uses revenue bonds, bonds from direct placements, notes from direct borrowings, and leases to finance construction projects and purchase equipment. According to the debt rating agencies, ECU continues to have a strong and steady credit rating based upon its stable operations. The latest evaluations were:

- On August 28, 2024, Standard & Poor's Global Ratings (S&P) reaffirmed its AA- rating, with a stable outlook, to University of North Carolina Board of Governors' outstanding revenue debt, issued for ECU.
- On June 13, 2023, Moody's Investors Service reaffirmed its Aa3 stable credit profile.

As reflected in the following chart, total capital debt decreased by \$16.0 million in fiscal year 2024.

Capital Debt Summary
Dollars in Thousands

	2024	2023	Change
Revenue Bonds Payable	\$ 298,805	\$ 321,690	\$ (22,885)
Bonds from Direct Placements	22,215	14,515	7,700
Bond Discounts/Premiums	12,196	12,986	(790)
Total Capital Debt	\$ 333,216	\$ 349,191	\$ (15,975)

Economic and Strategic Outlook

East Carolina University is dedicated to becoming a national exemplar for student success, community service, and regional development. Through education, research, healthcare, community involvement, and cultural enrichment, ECU positively impacts the lives of its students, the region, the state, and the world. Our strategic plan revolves around enhancing transformative learning experiences, fostering citizen engagement, and measuring success based on learners' accomplishments and regional growth. Our campus vision priorities focus on social and economic mobility, workforce development, and rural health and well-being.

Fall 2024 preliminary enrollment had a slight increase of 155 students based on headcount. Total headcount for the fall of 2024 was 26,940. ECU remains committed to investing in strategic enrollment initiatives to ensure continued growth and enhancement of student success.

Higher education is embarking on challenging times. Competition for enrollment is increasing as the college-age population declines and student needs and expectations are changing along with patterns in the workforce. To meet these challenges East Carolina University is acting now to maintain and build its ability to serve the community and North Carolina. To continue to serve future generations, and the communities that depend on us, strategic investments include student success initiatives, incorporating retention goals, enhanced professional advising for undergraduates, reformed transfer policies, and campaigns for on-time degree completion; research infrastructure, including tools to help researchers pursue grants; recruitment of top researchers; and facility improvements; online education, including a partnership with Project Kitty Hawk to improve program accessibility and high-demand programs.

Research remains a central focus for ECU, with investments in people, resources, and facilities to address societal challenges and strategic priorities. Collaborations and innovative discoveries drive ECU's mission to advance rural progress, prosperity, and resilience. In the past fiscal year, ECU's research efforts resulted in \$83.8 million from 439 sponsored research awards, signaling our commitment to further expanding our research enterprise and achievements.

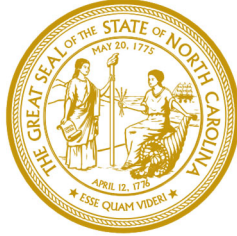
The State of North Carolina continues to provide strong financial support for the University of North Carolina System supporting initiatives such as employee salary raises, capital projects and repair and renovation funding. Additionally, the State provided a specific investment to East Carolina University to grow primary care expansion.

ECU Health as part of the joint operating agreement with ECU continues moving towards full clinical integration and the creation of a distinctive health system brand, ECU Health, to serve the 1.4 million residents of eastern North Carolina. The organizations' academic and clinical leadership continue to work together to transform and build on combined strengths to create a regional health care, research, and educational enterprise.

ECU is committed to the continued success of the University and its students. Management remains prudent, conservative, and strategic in managing the institution's financial affairs and remains dedicated to the University's mission of public service, regional transformation, and student success.

Contacting the University's Financial Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the University's finances and show accountability for all funds received. Additional financial information may be obtained by accessing the Financial Services webpage (<https://financialservices.ecu.edu/>) or contacting Financial Services at (252) 737-1133.



Financial Statements

East Carolina University
Statement of Net Position
Proprietary Fund
June 30, 2024

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 367,376,653
Restricted Cash and Cash Equivalents	52,596,305
Receivables, Net (Note 5)	67,039,921
Due from University Component Units	625,247
Inventories	2,623,507
Notes Receivable, Net (Note 5)	140,665
Leases Receivable (Note 9)	71,798
Other Assets	4,714,844
	<hr/>
Total Current Assets	495,188,940

Noncurrent Assets:

Restricted Cash and Cash Equivalents	66,703,556
Receivables (Note 5)	13,124,701
Endowment Investments	82,280,610
Restricted Investments	18,828
Notes Receivable, Net (Note 5)	2,624,213
Leases Receivable (Note 9)	2,896,544
Investments in Joint Ventures	441,226
Capital Assets - Nondepreciable (Note 6)	90,136,711
Capital Assets - Depreciable, Net (Note 6)	1,192,423,452
	<hr/>
Total Noncurrent Assets	1,450,649,841

Total Assets	<hr/> 1,945,838,781 <hr/>
--------------	---------------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	4,252,816
Deferred Outflows Related to Pensions	134,953,005
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	113,101,047
	<hr/>
Total Deferred Outflows of Resources	252,306,868

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	34,081,007
Due to Primary Government	8,304,426
Deposits Payable	1,754,058
Unearned Revenue	25,888,684
Interest Payable	2,846,199
Long-Term Liabilities - Current Portion (Note 8)	32,724,867
	<hr/>
Total Current Liabilities	105,599,241

East Carolina University
Statement of Net Position
Proprietary Fund
June 30, 2024

Exhibit A-1
Page 2 of 2

Noncurrent Liabilities:

Accounts Payable and Accrued Liabilities	1,498,708
Funds Held for Others	345,423
Unearned Revenue	8,837,882
U.S. Government Grants Refundable	4,844,009
Long-Term Liabilities, Net (Note 8)	1,202,517,322

Total Noncurrent Liabilities	1,218,043,344
------------------------------	---------------

Total Liabilities	1,323,642,585
-------------------	---------------

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Refunding	77,813
Deferred Inflows Related to Pensions	6,007,403
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	202,136,636
Deferred Inflows for Leases	2,878,325

Total Deferred Inflows of Resources	211,100,177
-------------------------------------	-------------

NET POSITION

Net Investment in Capital Assets	899,778,130
----------------------------------	-------------

Restricted:

Nonexpendable:

True Endowments	49,381,735
Student Loans and Other	132,394

Total Restricted-Nonexpendable Net Position	49,514,129
---	------------

Expendable:

Scholarships, Research, Instruction, and Other	48,235,596
Capital Projects	58,402,799
Debt Service	17,539,031

Total Restricted-Expendable Net Position	124,177,426
--	-------------

Unrestricted	(410,066,798)
--------------	---------------

Total Net Position	\$ 663,402,887
--------------------	----------------

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

East Carolina University
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2024

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 11)	\$ 190,023,546
Patient Services, Net (Note 11)	257,222,339
Federal Grants and Contracts	47,624,071
State and Local Grants and Contracts	9,924,258
Nongovernmental Grants and Contracts	17,144,960
Sales and Services, Net (Note 11)	102,727,334
Interest Earnings on Loans	185,049
Other Operating Revenues	2,987,028
Total Operating Revenues	627,838,585

OPERATING EXPENSES

Salaries and Benefits	684,127,243
Supplies and Services	246,064,108
Scholarships and Fellowships	42,273,509
Utilities	18,591,499
Depreciation/Amortization	52,255,594
Total Operating Expenses	1,043,311,953
Operating Loss	(415,473,368)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	368,692,677
Student Financial Aid	57,114,338
Federal Aid - COVID-19	1,809,673
Noncapital Contributions	32,403,747
Investment Income (Net of Investment Expense of \$324,272)	27,146,921
Interest and Fees on Debt	(11,156,680)
Other Nonoperating Revenues	495,087
Net Nonoperating Revenues	476,505,763
Income Before Other Revenues	61,032,395
Capital Contributions	27,284,716
Additions to Endowments	2,252,943
Total Other Revenues	29,537,659
Increase in Net Position	90,570,054

NET POSITION

Net Position - July 1, 2023	572,832,833
Net Position - June 30, 2024	\$ 663,402,887

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

East Carolina University
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2024

Exhibit A-3

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 626,721,100
Payments to Employees and Fringe Benefits	(714,718,189)
Payments to Vendors and Suppliers	(257,766,690)
Payments for Scholarships and Fellowships	(42,273,509)
Loans Issued	(18,700)
Collection of Loans	911,800
Interest Earned on Loans	205,182
Student Deposits Received	1,423,256
Student Deposits Returned	(1,252,780)
William D. Ford Direct Lending Receipts	127,080,744
William D. Ford Direct Lending Disbursements	(127,072,020)
Related Activity Agency Receipts	33,164,157
Related Activity Agency Disbursements	(32,960,170)
Other Receipts	171,460
Net Cash Used by Operating Activities	<u>(386,384,359)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	368,692,677
Student Financial Aid	55,107,781
Federal Aid - COVID-19	1,809,673
Noncapital Contributions	31,143,031
Additions to Endowments	2,252,943
Cash Provided by Noncapital Financing Activities	<u>459,006,105</u>

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	224,391
Capital Contributions	27,163,601
Proceeds from Lease Arrangements	466,869
Acquisition and Construction of Capital Assets	(41,482,069)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(30,316,917)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(11,854,903)
Net Cash Used by Capital Financing and Related Financing Activities	<u>(55,799,028)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	8,089,571
Investment Income	25,476,783
Investment in Joint Ventures	37,145
Purchase of Investments and Related Fees	(16,877,053)
Net Cash Provided by Investing Activities	<u>16,726,446</u>
Net Increase in Cash and Cash Equivalents	33,549,164
Cash and Cash Equivalents - July 1, 2023	<u>453,127,350</u>
Cash and Cash Equivalents - June 30, 2024	<u>\$ 486,676,514</u>

East Carolina University
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2024

Exhibit A-3

Page 2 of 2

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

Operating Loss	\$ (415,473,368)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	52,255,594
Lease Income (Amortized Deferred Inflows of Resources)	(422,866)
Allowances and Write-Offs	189,049
Other Nonoperating Income	172,387
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	95,682
Due from University Component Units	(49,268)
Inventories	(134,267)
Prepaid Assets	1,123,603
Notes Receivable, Net	893,101
Deferred Outflows Related to Pensions	(19,468,583)
Deferred Outflows Related to Other Postemployment Benefits	(14,915,055)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	8,173,415
Due to Primary Government	473,024
Funds Held for Others	61,830
Unearned Revenue	(535,852)
Net Pension Liability	36,035,021
Net Other Postemployment Benefits Liability	60,956,966
Compensated Absences	1,199,508
Deposits Payable	170,475
Workers' Compensation Liability	189,412
Deferred Inflows Related to Pensions	(4,153,076)
Deferred Inflows Related to Other Postemployment Benefits	(93,221,091)
Net Cash Used by Operating Activities	<u>\$ (386,384,359)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 20,311,543
Assets Acquired through a Gift	121,115
Change in Fair Value of Investments	1,670,139
Gain on Investment in Joint Ventures	136,287
Amortization of Bond Premiums/Discounts	(668,153)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(782,301)
Funds Escrowed to Defeasement Debt	11,067,969
Decrease in Liabilities Due to Early Termination of Leases and Subscriptions	7,258,470

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

East Carolina University
Statement of Fiduciary Net Position
Fiduciary Fund - Custodial Funds
June 30, 2024

Exhibit B-1

	<u>Other Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 7,878,877
Total Assets	<u>7,878,877</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
LIABILITIES	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Restricted for:	
Affiliated Organizations	<u>7,878,877</u>
Total Fiduciary Net Position	<u><u>\$ 7,878,877</u></u>

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

East Carolina University
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Custodial Funds
For the Fiscal Year Ended June 30, 2024

Exhibit B-2

	<u>Other Funds</u>
ADDITIONS	
Contributions:	
Affiliated Organizations	\$ 24,357,730
DEDUCTIONS	
Withdrawals and Distributions	<u>27,105,638</u>
Decrease in Fiduciary Net Position	(2,747,908)
NET POSITION	
Net Position - July 1, 2023	<u>10,626,785</u>
Net Position - June 30, 2024	<u><u>\$ 7,878,877</u></u>

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

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statements of Financial Position
June 30, 2024

Exhibit C-1

	Total
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 13,076,958
Current Portion of Unconditional Promises to Give, Net	1,687,652
Prepaid Expenses	34,761
Other Receivables	130,318
Total Current Assets	14,929,689
INVESTMENTS	
Investments	205,980,171
Real Estate Held for Investment	1,487,637
Total Investments	207,467,808
CAPITAL ASSETS	
Capital Assets, Net	5,201,139
OTHER ASSETS	
Life Insurance Policy - Cash Surrender Value	283,694
Student Loans, Net	59,712
Beneficial Interest in Charitable Remainder Trusts	2,986,458
Assets Held in Charitable Remainder Trusts and Annuities	240,164
Unconditional Promises to Give, Less Current Portion, Net	5,657,825
Other Assets	52,440
Total Other Assets	9,280,293
TOTAL ASSETS	\$ 236,878,929
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 108,102
Current Portion of Note Payable	160,700
Current Portion of Charitable Gift Annuities Payable	5,945
Agency Payables	625,247
Deferred Revenue	51,418
Total Current Liabilities	951,412
LONG-TERM LIABILITIES	
Refundable Advances	49,824
Note Payable, Less Current Portion	2,153,899
Charitable Gift Annuities Payable, Less Current Portion	40,515
Liabilities Under Charitable Remainder Trusts and Annuities	37,194
Total Long-Term Liabilities	2,281,432
Total Liabilities	3,232,844
NET ASSETS	
Without Donor Restrictions	26,615,691
With Donor Restrictions	207,030,394
Total Net Assets	233,646,085
Total Liabilities and Net Assets	\$ 236,878,929

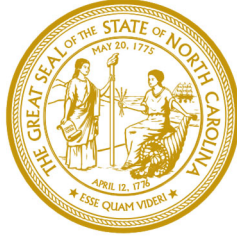
The accompanying notes to the financial statements are an integral part of this statement.

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statements of Activities
For the Fiscal Year Ended June 30, 2024

Exhibit C-2

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 145,933	\$ 11,976,346	\$ 12,122,279
Gifts in Kind	14,476	140,227	154,703
Contributed Services and Facilities	2,907,171	-	2,907,171
Return on Investments			-
Interest on Dividends	1,030,179	3,190,279	4,220,458
Net Unrealized and Realized Gains on Investments	1,731,117	19,855,443	21,586,560
Other Income	867,553	453,760	1,321,313
Loss on Disposition of Property	(1,508,406)	-	(1,508,406)
Distributions from Alumni Association	2,762,393	1,690,968	4,453,361
Change in Value of Split Interest Agreements	13,478	(1,379,209)	(1,365,731)
Net Assets Released from Restrictions	11,086,798	(11,086,798)	-
Total Revenues, Gains, and Other Support	19,050,692	24,841,016	43,891,708
EXPENSES AND LOSSES			
Program Services			
Program Development	6,912,129	-	6,912,129
Scholarships and Awards	3,912,298	-	3,912,298
Total Program Services	10,824,427	-	10,824,427
General and Administrative	2,082,467	-	2,082,467
Fundraising	2,711,085	-	2,711,085
Total Operating Expenses	15,617,979	-	15,617,979
Credit Losses	6,000	142,405	148,405
Total Expenses	15,623,979	142,405	15,766,384
Change in Net Assets	3,426,713	24,698,611	28,125,324
NET ASSETS			
Net Assets at Beginning of Year	23,906,808	181,613,953	205,520,761
Reclassification of Net Assets, Donor Stipulations and Board Match	(717,830)	717,830	-
Net Assets at End of Year	\$ 26,615,691	\$ 207,030,394	\$ 233,646,085

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



Notes to the Financial Statements

Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. East Carolina 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 unit. 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 unit is discretely presented in the University's financial statements. See below for further discussion of the University's component unit. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit - East Carolina University Foundation, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University. East Carolina University Real Estate Foundation, Inc., Green Town Properties, Inc., and ECU Innovation Foundation, LLC are the consolidated affiliates of the Foundation.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of 66 members. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2024, the Foundation distributed \$10,824,427 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the University Financial Services Office, 2200 Charles Blvd., Suite 2900, Greenville, NC 27858, or by calling (252) 737-1133.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and GASB Statement No. 84, *Fiduciary Activities*, require the presentation of both proprietary and fiduciary fund financial statements. See below for a description of each fund.

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

Fiduciary Fund - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of affiliated organizations. Custodial funds include resources held on behalf of three separately incorporated nonprofit foundations associated with the University. See Note 17 for detailed information regarding the nature of the fiduciary activities.

- C. Basis of Accounting** - The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, 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.

Money market mutual funds are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

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.

- F. Receivables** - Receivables consist of tuition and fees charged to students, charges for services rendered to patients, and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using either the first-in, first-out or last invoice cost 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. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year and are \$5,000 or more in the aggregate are capitalized.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-75 years
Machinery and Equipment	2-50 years
General Infrastructure	10-50 years
Computer Software	2-20 years

The University does not capitalize the library and art collections. These collections adhere to the University's policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve; and require proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

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 \$250,000 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 \$110,000 or greater and an estimated useful life of more than one year.

Amortization for right-to-use leased and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying

asset's estimated useful life. If a lease agreement contains a purchase option the University is reasonably certain will be exercised, the right-to-use leased asset is amortized over the asset's estimated useful life.

- I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.
- J. **Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

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

- K. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes revenue bonds payable and bonds from direct placements. 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 2023 *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 13 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 2023 *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 and

Disability Income Plan of North Carolina. 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 OPEB.

- L. Compensated Absences** - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of 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 into 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.

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

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

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

Proprietary Fund

Net Investment in Capital Assets - This represents the University's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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

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

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, workers' compensation, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

Fiduciary Fund

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

- O. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.
- 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 central stores, copy centers, postal services, and telecommunications. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

Note 2 - Deposits and Investments

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

At June 30, 2024, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$486,437,360 for proprietary fund and \$7,878,877 for the fiduciary fund, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.4 years as of June 30, 2024. 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, 2024 was \$66,058. The carrying amount of the University's deposits not with the State Treasurer was \$173,096, and the bank balance was \$173,619. 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, 2024, the University's bank balance was not exposed to custodial credit risk.

B. Investments

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

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

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University's Endowment Board has a formal policy that addresses interest rate risk. The policy states fixed income asset class is to reduce the overall volatility of the investment portfolio, to produce income in support of the spending needs, and to provide some protection against economic contraction and "flights to quality." Given its role within the portfolio, it is expected to be invested primarily in high-quality U.S. instruments. The portfolio may hold other securities opportunistically including non-U.S. and below investment-grade securities and cash. However, these holdings should be assessed within the total bond portfolio and its stated role. The University has no formal investment policy that addresses interest rate risk for investment other than those under the control of the Endowment Board.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. No single investment fund will represent more than 10% of Portfolio assets. Exception is made for passive investments (index funds and exchange-traded index funds). Concentration in any individual security is at the discretion of the individual

investment managers. The Committee will consider the level of single-security concentration in determining the size of the investments made with each individual investment manager. The University does not have a formal policy that addresses credit risk for investments other than those under the control of the Endowment Board.

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 that addresses custodial credit risk for investments other than those under the control of the Endowment Board.

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 market unit valuation method. Under this method, each participating fund's investment balance is determined on its number of units owned. Valuation of the underlying assets is performed by the custodian. The investment strategy, including the selection of investment managers, is based on the directives of the Board of Trustees of the Endowment Fund.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2024, for the Long-Term Investment Pool.

Long-Term Investment Pool

Investment Type	Amount	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities					
Debt Mutual Funds	\$ 3,240,431	\$ -	\$ -	\$ 3,240,431	\$ -
Money Market Mutual Funds	926,859	926,859	-	-	-
Total Debt Securities	4,167,290	\$ 926,859	\$ -	\$ 3,240,431	\$ -
Other Securities					
UNC Investment Fund	5,608,590				
International Mutual Funds	9,135,170				
Equity Mutual Funds	21,367,381				
Hedge Funds	12,979,705				
Private Equity Limited Partnerships	7,867,353				
Other Limited Partnerships	21,155,121				
Total Long-Term Investment Pool	\$ 82,280,610				

At June 30, 2024, investments in the Long-Term Investment Pool had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa
Debt Mutual Funds	\$ 3,240,431	\$ 3,240,431
Money Market Mutual Funds	926,859	926,859
Totals	\$ 4,167,290	\$ 4,167,290

Rating Agency: Morningstar

UNC Investment Fund, LLC - At June 30, 2024, the University's investments include \$5,608,590, 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, 2024, for the University's non-pooled investments.

Non-Pooled Investments

	Amount	Investment Maturities (in Years) Less Than 1
Money Market Mutual Funds	\$ 18,828	\$ 18,828

At June 30, 2024, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa
Money Market Mutual Funds	\$ 18,828	\$ 18,828

Rating Agency: Moody's and Standard and Poor's

Total Investments - The following table presents the total investments at June 30, 2024:

Investment Type	Amount
Debt Securities	
Debt Mutual Funds	\$ 3,240,431
Money Market Mutual Funds	945,687
Other Securities	
UNC Investment Fund	5,608,590
International Mutual Funds	9,135,170
Equity Mutual Funds	21,367,381
Hedge Funds	12,979,705
Private Equity Limited Partnerships	7,867,353
Other Limited Partnerships	21,155,121
Total Investments	\$ 82,299,438

Component Unit - Investments of the University's discretely presented component unit, the East Carolina University Foundation, Inc., 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. Because the East Carolina University Foundation, Inc. reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Type	Amount
Common Stock	\$ 519,910
Mutual Funds	79,313,773
Total Marketable Securities	79,833,683
Alternative Investments	126,146,488
Total Investments	\$ 205,980,171

Note 3 - Fair Value Measurements

University - To the extent available, the University's investments are recorded at fair value as of June 30, 2024. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset, either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following table summarizes the University's proprietary and fiduciary fund investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2024:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	\$ 3,240,431	\$ 3,240,431	\$ -	\$ -
Other Securities				
International Mutual Funds	9,135,170	9,135,170	-	-
Equity Mutual Funds	21,367,381	21,367,381	-	-
Total Investments by Fair Value Level	33,742,982	33,742,982	-	-
Investments Measured at the Net Asset Value (NAV)				
Hedge Funds	12,979,705			
Private Equity Limited Partnerships	7,867,353			
Other Limited Partnerships	21,155,121			
Total Investments Measured at the NAV	42,002,179			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	494,316,237			
UNC Investment Fund	5,608,590			
Total Investments as a Position in an External Investment Pool	499,924,827			
Total Investments Measured at Fair Value	\$ 575,669,988			

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.

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2024:

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds^A				
CIM Enterprise Loan Fund, L.P.	\$ 603,856	\$ -	30 days	30 days
Davidson Kempner, L.P.	809,081	-	>90 days	65 days
Dorsal Capital Partners, Ltd.	525,405	-	>90 days	45 days
HBK Multi-Strategy Offshore Fund Ltd.	827,844	-	>90 days	90 days
Highbridge Tactical Credit Fund, Ltd.	734,776	-	>90 days	65 days
Hudson Bay International Fund Ltd.	807,825	-	>90 days	65 days
Junto Offshore Fund Ltd.	507,234	-	>90 days	45 days
MGG SF Evergreen Unlevered Fund LP	419,843	332,830	>90 days	90 days
Newtyn TE Partners, LP	500,000	-	>90 days	90 days
Palmer Square Income Plus Fund LLC	2,536,695	-	30 days	5 days
Trinity Street Commingled Global	1,517,494	-	30 days	7 days
Wellington Global Research Extended Fund Ltd.	3,189,652	-	>90 days	30 days
Private Equity Limited Partnerships^B				
Dover Street XI Feeder Fund L.P.	803,176	700,000	Ineligible	N/A
FEG Private Opportunities Fund	278,920	25,750	Ineligible	N/A
FEG Private Opportunities Fund, II	504,203	22,500	Ineligible	N/A
FEG Private Opportunities Fund, III	1,517,446	36,000	Ineligible	N/A
FEG Private Opportunities Fund, IV	2,196,853	30,000	Ineligible	N/A
Kline Hill Offshore Feeder Fund, IV	-	3,000,000	Ineligible	N/A
Monomoy Capital Partners, V	-	1,500,000	Ineligible	N/A
Northgate Private Equity Partners	5,311	12,000	Ineligible	N/A
Peppertree Capital Fund X QP, LP	359,550	1,512,000	Ineligible	N/A
Twin Bridge	1,537,943	579,434	Ineligible	N/A
Falcon Credit Opps	663,951	280,326	Ineligible	N/A
Other Limited Partnerships^C				
Acadian International Small Cap Fund	1,741,189	-	30 days	30 days
Arrowstreet Global Equity ACWI	2,387,484	-	30 days	7 days
Burgundy DST Smaller Companies	4,179,230	-	30 days	30 days
City of London CA International Equity CEF Fund	3,006,683	-	30 days	30 days
DoubleLine Core Plus Portfolio	4,042,932	-	30 days	1 day
GQG Partners Emerging Markets Equity Fund	1,049,673	-	30 days	4 days
Independent Franchise Partners Global Equity, L.P.	1,500,159	-	30 days	3 days
Orbis Institutional International Equity L.P.	2,250,000	-	30 days	1 day
Polunin Developing Countries Fund, LLC	997,771	-	30 days	7 days
Total Investments Measured at the NAV	\$ 42,002,179			

A. Hedge Funds - This type includes investments in twelve hedge funds that are in the fund-of-funds category. The funds invest in both long and short positions across a globally

allocated pool of various types of assets. The hedge fund investments pursue a variety of strategies, including real estate, debt, equity, and other hedging strategies. Management of each hedge fund has the ability to use leverage in the funds and to shift investments from value to growth strategies, from small to large capitalization stocks and from net long positions to net short positions. The fair values of the investments in this type have been determined using the NAV per share of the investments. Restriction periods ranged from 30 days to 90 days on these investments as of June 30, 2024.

B. Private Equity Limited Partnerships - This type includes investments in eleven private equity funds that are in the fund-of-funds category. The funds generally invest in long positions across a globally allocated pool of various types of assets. The private equity investments include venture/growth equity, private equity, real assets, and opportunistic. Opportunistic investments can include secondary funds, co-investment vehicles, and special situations investments. The fair values of the investments in this type have been determined using the NAV per share of the investments. A limited amount of the underlying managers use leverage in their return strategy. These are closed period funds which do not permit redemptions for an extended period of time or until the underlying managers liquidate and disburse funds.

C. Other Limited Partnerships - This type includes investments in nine private limited liability entities. The limited liability funds holdings include fixed income, international equities, and stocks of small and medium sized companies. Each portfolio consists of a range of 30 to 1,758 actively managed investments. The fair values of the investments in this type have been determined using the NAV per share of the investments. The funds have a 30-day redemption frequency with a redemption notice period of 1-day to 30-days.

Component Unit - Fair value as defined under GAAP is an exit price, representing 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. In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted

cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. These valuation methodologies have not changed and are consistent with prior years. Mutual funds listed on a national market or exchanges are valued at the last sales price. If there is no sale, and the market is considered still active, equity securities are valued at the last transaction price before year-end.

Such securities are classified within Level 1 of the valuation hierarchy. Investments in real estate are valued based on independent appraisals and county tax records and are classified within Level 2 of the valuation hierarchy.

Investments in charitable remainder trusts and annuities are valued at the market price of the investments held and are classified as Level 2 of the valuation hierarchy. While the Foundation has access to a detailed listing of the underlying assets held in these trusts and annuities, the majority of which are publicly traded and readily available in active markets, the trusts themselves do not have daily quoted active market prices. Investments in these trusts and annuities are valued per share based on the market prices of the underlying assets.

Beneficial interest in charitable remainder trusts is valued at the market price of the investments and is classified as Level 3 of the valuation hierarchy. While the Foundation has access to a detailed listing of the underlying assets held in these trusts, the majority of which are publicly traded and readily available in active markets, the beneficial interests are determined through discounted cash flow analysis.

The fair value of the Foundation's charitable gift annuity obligations is based on the net present value of the anticipated benefit using the difference between the assets received and the original contribution. As beneficiary payments are made, the liability is adjusted based on an amortization schedule. The annuity obligations are included in Level 2 of the fair value hierarchy.

The fair value of liabilities under charitable remainder trusts is based on the net present value of the anticipated benefit payments from the trust for which the Foundation is both a beneficiary and trustee. As beneficiary payments are made, the life expectancy of the beneficiary decreases and discount rates fluctuate year to year, the Foundation adjusts the liability accordingly. The trust liabilities are included in Level 2 of the fair value hierarchy.

The following tables present assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2024:

Financial Assets (Liabilities) at Fair Value as of June 30, 2024				
	Level 1	Level 2	Level 3	Total
Investments in Mutual Funds	\$ 79,313,773	\$ -	\$ -	\$ 79,313,773
Investments in Common Stocks	519,910	-	-	519,910
Investments in Real Estate	-	1,487,637	-	1,487,637
Investments in Private Equity				
Funds Measured at Net Asset Value (a)	-	-	-	16,629,522
Investments in Private Credit Funds				
Measured at Net Asset Value (a)	-	-	-	948,509
Investments in Public Equity Strategies				
Measured at Net Asset Value (a)	-	-	-	40,556,899
Investments in Fixed Income Funds				
Measured at Net Asset Value (a)	-	-	-	10,099,367
Investments in Hedge Funds				
Measured at Net asset Value (a)	-	-	-	57,912,191
Total	\$ 79,833,683	\$ 1,487,637	\$ -	\$ 207,467,808
Investments in Charitable				
Remainder Trusts and Annuities	\$ -	\$ 240,164	\$ -	\$ 240,164
Beneficial Interest in Charitable				
Remainder Trusts	\$ -	\$ -	\$ 2,986,458	\$ 2,986,458
Liabilities Under Charitable Gift Annuities	\$ -	\$ (46,460)	\$ -	\$ (46,460)
Liabilities Under Charitable Remainder Trust	\$ -	\$ (37,194)	\$ -	\$ (37,194)

^(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Consolidated Statements of Financial Position.

There were no transfers among Level 1, Level 2, or Level 3 assets during the year ended June 30, 2024. When transfers occur, they are recognized at the end of the reporting period.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Foundation's Board of Directors assesses and approves these policies and procedures. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended June 30, 2024:

	Amount
Balance, Beginning of Year, restated (2023)	\$ 4,502,860
Distribution from Level 3	(1,203,245)
Additions to Level 3	1,192,981
Revaluation of Split Interest Agreements	(1,506,138)
Balance, End of Year	<u>\$ 2,986,458</u>

Notes to the Financial Statements

Revaluation of split interest agreements applicable to instruments valued using significant unobservable inputs (Level 3) shown on the previous page are included in the change in net assets for 2024 in the Consolidated Statements of Activities.

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and ranges of values for those unobservable inputs.

Significant Unobservable Inputs at June 30, 2024				
	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Beneficial Interests in Charitable Remainder Trusts	\$ 2,986,458	Discounted Cash Flows	Payout Rate Discount Rate	5.5% - 7% 4.3%
Alternative Investments at June 30, 2024				
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently available)	Redemption Notice Period
Hedge Funds:				
CIM Enterprise Loan Fund, L.P.	\$ 1,408,997	\$ -	30 days	30 days
Davidson Kempner, L.P.	2,022,703	-	>90 days	65 days
Dorsal Capital Partners, Ltd.	1,155,891	-	>90 days	45 days
HBK Multi-Strategy Offshore Fund Ltd.	2,069,611	-	>90 days	90 days
Highbridge Tactical Credit Fund, Ltd.	1,469,552	-	>90 days	65 days
Hudson Bay International Fund Ltd.	2,019,563	-	>90 days	65 days
Junto Offshore Fund Ltd.	1,217,363	-	>90 days	45 days
MGG SF Evergreen Unlevered Fund LP	899,662	600,338	>90 days	90 days
Newtyn TE Partners, LP	1,200,000	-	>90 days	90 days
Palmer Square Income Plus Fund LLC	6,088,114	-	30 days	5 days
Trinity Street Commingled Global	3,793,735	-	30 days	7 days
UNC Investment Fund, LLC	26,592,871	-	Monthly	30 days
Wellington Global Research Extended Fund Ltd.	7,974,129	-	>90 days	30 days
Total Hedge Funds	57,912,191	600,338		
Private Equity Limited Partnerships:				
Dover Street XI Feeder Fund L.P.	1,874,080	5,670,000	Ineligible	N/A
FEG Private Opportunities Fund	1,673,516	154,500	Ineligible	N/A
FEG Private Opportunities Fund, II	3,025,219	135,000	Ineligible	N/A
FEG Private Opportunities Fund, III	2,276,169	54,000	Ineligible	N/A
FEG Private Opportunities Fund, IV	3,844,494	52,000	Ineligible	N/A
Kline Hill Offshore Feeder Fund, IV	-	7,000,000	Ineligible	N/A
Monomoy Capital Partners, V	-	3,500,000	Ineligible	N/A
Northgate Private Equity Partners	21,216	48,000	Ineligible	N/A
Peppertree Capital Fund X QP, LP	838,950	3,528,000	Ineligible	N/A
Twin Bridge	3,075,878	1,227,111	Ineligible	N/A
Total Private Equity Funds	16,629,522	21,368,611		
Fixed Income:				
DoubleLine Core Plus Portfolio	10,099,367	-	30 days	1 day
Private Credit Funds:				
Falcon Private Opportunities VI	948,509	367,561	Ineligible	N/A
Other Limited Partnerships:				
Acadian International Small Cap Fund	3,979,871	-	30 days	30 days
Arrowsstreet Global Equity ACWI	5,836,237	-	30 days	7 days
Burgundy DST Smaller Companies	8,880,864	-	30 days	30 days
City of London CA International Equity CEF Fund	7,516,708	-	30 days	30 days
GQG Partners Emerging Markets Equity Fund	2,624,184	-	30 days	4 days
Independent Franchise Partners Global Equity, L.P.	3,750,396	-	30 days	3 days
Orbis Institutional International Equity L.P.	5,474,209	-	30 days	1 day
Polunin Developing Countries Fund, LLC	2,494,430	-	30 days	7days
Total Other Limited Partnerships	40,556,899	-		
Total Alternative Investments	\$ 126,146,488	\$ 22,336,510		

The Foundation invests in alternative investment vehicles as a hedge against broader market risks by further diversifying the portfolio holdings. Investments in both private equity and hedge funds are in the fund-of-funds category. The private equity investments include funds whose focus is on buyouts and distressed debt purchases. The hedge fund investments pursue a variety of strategies, including real estate, equity, and other hedging strategies.

The Foundation invests in various types of investment securities, which are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Consolidated Statements of Financial Position.

Note 4 - Endowment Investments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. 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 eligible University endowment funds are based on an adopted spending policy which provides a distribution of 4% of the endowment fund's thirty-six month weighted average balance. The annual payout each fiscal year end is communicated to departments in the fall of the following fiscal year and posted to their expendable funds in the fall of the fiscal year following the communication. To the extent that the total return for the current year exceeds the payout and a 1.25% administrative fee, the excess is added to accumulated earnings unless donor restrictions require that it be added to the principal. If current year earnings do not meet the payout requirements, to the extent possible the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2024, net appreciation of \$33,473,234 was available to be spent, all of which was classified in net position as restricted for scholarships, research, instruction, and other as it is restricted for specific purposes.

Notes to the Financial Statements

Note 5 - Receivables

Receivables at June 30, 2024, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 7,255,677	\$ 1,225,761	\$ 6,029,916
Student Sponsors	213,198	-	213,198
Accounts	3,355,533	2,444	3,353,089
Intergovernmental	6,060,786	-	6,060,786
Patients	79,557,427	38,746,296	40,811,131
Grant Sponsors	9,338,080	-	9,338,080
Interest on Loans	89,211	-	89,211
Other	1,156,184	11,674	1,144,510
Total Current Receivables	\$ 107,026,096	\$ 39,986,175	\$67,039,921
Noncurrent Receivables:			
Athletic Seat Rights	\$ 7,763,251	\$ -	\$ 7,763,251
Patients	4,994,783	-	4,994,783
Other	366,667	-	366,667
Total Noncurrent Receivables	\$ 13,124,701	\$ -	\$13,124,701
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 182,140	\$ 41,975	\$ 140,165
Institutional Student Loan Programs	500	-	500
Total Notes Receivable - Current	\$ 182,640	\$ 41,975	\$ 140,665
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 3,152,960	\$ 528,747	\$ 2,624,213

Note 6 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2024, is presented as follows:

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Capital Assets, Nondepreciable:				
Land	\$ 52,543,970	\$ 476,400	\$ -	\$ 53,020,370
Construction in Progress	12,618,870	25,669,475	1,172,004	37,116,341
Total Capital Assets, Nondepreciable	65,162,840	26,145,875	1,172,004	90,136,711
Capital Assets, Depreciable:				
Buildings	1,276,842,794	2,044,221	-	1,278,887,015
Machinery and Equipment	189,417,053	17,452,899	1,918,845	204,951,107
General Infrastructure	215,520,487	99,655	-	215,620,142
Computer Software	13,335,538	-	-	13,335,538
Right-to-Use Leased Buildings	36,031,151	3,426,482	9,508,070	29,949,563
Right-to-Use Leased Machinery and Equipment	2,171,689	-	-	2,171,689
Right-to-Use Subscription Assets	32,830,837	17,099,124	366,185	49,563,776
Total Capital Assets, Depreciable	1,766,149,549	40,122,381	11,793,100	1,794,478,830
Less Accumulated Depreciation/Amortization for:				
Buildings	355,967,897	19,501,284	-	375,469,181
Machinery and Equipment	115,632,933	11,376,225	1,640,788	125,368,370
General Infrastructure	52,862,791	5,387,748	-	58,250,539
Computer Software	10,606,190	625,364	-	11,231,554
Right-to-Use Leased Buildings	9,629,191	4,393,276	2,894,405	11,128,062
Right-to-Use Leased Machinery and Equipment	908,658	509,680	-	1,418,338
Right-to-Use Subscription Assets	8,818,715	10,462,017	91,398	19,189,334
Total Accumulated Depreciation/Amortization	554,426,375	52,255,594	4,626,591	602,055,378
Total Capital Assets, Depreciable, Net	1,211,723,174	(12,133,213)	7,166,509	1,192,423,452
Capital Assets, Net	\$ 1,276,886,014	\$ 14,012,662	\$ 8,338,513	\$ 1,282,560,163

As of June 30, 2024, the total amount of right-to-use leased and subscription assets was \$32,121,252 and \$49,563,776, and the related accumulated amortization was \$12,546,400 and \$19,189,334, respectively.

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2024, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 5,739,846
Accounts Payable - Capital Assets	5,217,547
Accrued Payroll	20,270,550
Contract Retainage	1,280,848
Other	1,572,216
Total Current Accounts Payable and Accrued Liabilities	\$ 34,081,007

Note 8 - Long-Term Liabilities

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2024, is presented as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 321,690,000	\$ -	\$ 22,885,000	\$ 298,805,000	\$ 12,530,000
Bonds from Direct Placements	14,515,000	11,165,000	3,465,000	22,215,000	2,315,000
Plus: Unamortized Premium	15,642,207	-	909,533	14,732,674	-
Less: Unamortized Discount	2,655,805	-	119,546	2,536,259	-
Total Long-Term Debt	349,191,402	11,165,000	27,139,987	333,216,415	14,845,000
Other Long-Term Liabilities					
Lease Liabilities	28,485,601	3,426,482	11,587,506	20,324,577	3,925,981
Subscription (SBITA) Liabilities	22,990,128	16,885,061	10,542,881	29,332,308	10,496,904
Employee Benefits					
Compensated Absences	30,277,345	24,989,438	23,789,931	31,476,852	2,275,947
Net Pension Liability	184,478,629	36,035,021	-	220,513,650	-
Net Other Postemployment Benefits Liability	535,933,962	60,174,665	-	596,108,627	-
Workers' Compensation	4,080,349	1,302,650	1,113,239	4,269,760	1,181,035
Total Other Long-Term Liabilities	806,246,014	142,813,317	47,033,557	902,025,774	17,879,867
Total Long-Term Liabilities, Net	\$ 1,155,437,416	\$ 153,978,317	\$ 74,173,544	\$ 1,235,242,189	\$ 32,724,867

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 9.

Additional information regarding the net pension liability is included in Note 13.

Additional information regarding the net other postemployment benefits liability is included in Note 14.

Additional information regarding workers' compensation is included in Note 15.

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:

Notes to the Financial Statements

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2024
Revenue Bonds Payable					
General Revenue Bonds Payable					
West Facility Student Center	2015A	3.0-5.0	10/01/2044	\$ 29,955,000	\$ 24,740,000
Refunding of 2009A Bonds Dining Project Croatan	2015A	3.0-5.0	10/01/2029	5,164,922	3,252,504
Refunding of 2009A Bonds Scott Residence Hall	2015A	3.0-5.0	10/01/2034	24,248,294	18,435,298
Refunding of 2009A Bonds Softball Field Project	2015A	3.0-5.0	10/01/2034	3,946,784	2,997,198
Refunding of 2006A Bonds College Hill Dormitory	2015A	3.0-5.0	10/01/2033	2,930,000	1,935,000
East Union Project	2016A	2.25-5.0	10/01/2045	102,730,000	85,375,000
Housing Projects (White, Clement, & Greene)	2016A	2.25-5.0	10/01/2045	37,190,000	31,725,000
Dowdy Ficklen Stadium Renovation	2018A	3.0-5.0	10/01/2047	51,685,000	47,205,000
Greene Residence Hall	2018A	3.0-5.0	10/01/2047	24,110,000	21,655,000
Refunding of 2010B Bonds Tyler Dorm Project (BAB)	2020	1.5-4.0	10/01/2030	6,121,043	4,523,761
Refunding of 2010B Bonds Olympic Sports Facility (BAB)	2020	1.5-4.0	10/01/2035	10,718,957	8,946,239
Refunding of 2014A Bonds Gateway East and West Housing Project	2021	0.58-3.0	10/01/2043	50,100,000	48,015,000
Total General Revenue Bonds Payable				348,900,000	298,805,000
Bonds from Direct Placements					
Refunding of 2010A Pool Bonds East End Zone Project	2017A	2.19	10/01/2029	12,490,000	7,755,000
Refunding of Gen Rev Ref 2012 Bond - 2004C College Hill Bonds	2017B	1.99	10/01/2026	4,814,783	3,410,000
Refunding of Gen Rev Ref 2013A Bonds - 2004C College Hill Bonds	2023	2.22	10/01/2033	11,165,000	11,050,000
Total Bonds from Direct Placements				28,469,783	22,215,000
Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)				<u>\$ 377,369,783</u>	321,020,000
Plus: Unamortized Premium					14,732,675
Less: Unamortized Discount					2,536,260
Total Revenue Bonds Payable and Bonds from Direct Placements, Net					<u>\$ 333,216,415</u>

C. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2024, are as follows:

Fiscal Year	Annual Requirements			
	Revenue Bonds Payable		Bonds from Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 12,530,000	\$ 10,032,357	\$ 2,315,000	\$ 458,762
2026	13,060,000	9,488,375	2,445,000	408,877
2027	12,390,000	8,994,425	2,495,000	357,066
2028	12,845,000	8,536,768	2,780,000	300,239
2029	13,315,000	8,053,813	2,835,000	238,312
2030-2034	68,865,000	33,127,707	9,345,000	464,827
2035-2039	63,980,000	22,930,883	-	-
2040-2044	70,200,000	12,143,252	-	-
2045-2048	31,620,000	1,737,187	-	-
Total Requirements	<u>\$ 298,805,000</u>	<u>\$ 115,044,767</u>	<u>\$ 22,215,000</u>	<u>\$ 2,228,083</u>

D. 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 and Bonds from Direct Placements - The University's outstanding revenue bonds of \$298,805,000 and bonds from direct placements of

\$22,215,000 contain provisions that in the event of a failure to pay in full any payments when due, the debt becomes immediately due and payable.

- E. Bond Defeasance** - The University has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

On July 12, 2023 the University issued \$11,165,000 in a direct placement General Revenue Refunding Bond, Series 2023 with an average interest rate of 2.22%. The bonds were issued for a current refunding of \$10,905,000 of outstanding General Revenue Refunding Bonds, Series 2013A with an average interest rate of 2.94%. The refunding was undertaken to reduce total debt service payments by \$404,089 over the next eleven years and resulted in an economic gain of \$486,580.

Note 9 - Leases and Subscription-Based Information Technology Arrangements

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

During the year the University did not recognize any variable payment amounts.

During the year ended June 30, 2024, the University recognized operating revenues related to lessor arrangements totaling \$422,866, and nonoperating lease interest income totaling \$112,427.

The University's lessor arrangements at June 30, 2024, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2024	Current Portion	Lease Terms	Interest Rate Range
Lessor:					
Land	<u>2</u>	<u>\$ 2,968,342</u>	<u>\$ 71,798</u>	23- 24 years	2.33% - 3.66%

- B. Lessee Arrangements** - The University has lease agreements for the right to use office space and equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, 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.

During the year the University did not recognize any variable payment amounts.

Notes to the Financial Statements

The University's lessee arrangements at June 30, 2024, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2024	Current Portion	Lease Terms	Interest Rate Ranges
Lessee:					
Right-to-Use Leased Buildings	10	\$ 19,645,889	\$ 3,678,948	2 - 8 years	0.51% - 2.89%
Right-to-Use Leased Machinery and Equipment	3	678,688	247,033	1 - 3 years	0.70% - 1.22 %
Total	13	\$ 20,324,577	\$ 3,925,981		

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

During the year the University did not recognize any variable payment amounts.

The University's SBITAs at June 30, 2024, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2024	Current Portion	SBITA Terms	Interest Rate Range
Right-to-Use Subscription Assets	47	\$ 29,332,308	\$ 10,496,904	1 - 7 years	2.02% - 3.33%

D. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2024, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 3,925,981	\$ 274,492	\$ 10,496,904	\$ 682,910
2026	4,051,948	217,291	10,514,013	569,090
2027	3,474,719	160,755	5,801,903	253,165
2028	2,910,531	110,325	1,752,956	85,270
2029	2,451,618	71,990	671,061	22,260
2030-2034	3,509,780	48,188	95,471	2,639
Total Requirements	\$ 20,324,577	\$ 883,041	\$ 29,332,308	\$ 1,615,334

Note 10 - 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	\$ (91,568,048)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(685,144,216)
Effect on Unrestricted Net Position	(776,712,264)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	366,645,466
Total Unrestricted Net Position	\$ (410,066,798)

See Notes 13 and 14 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

Note 11 - 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	Less Indigent Care and Contractual Adjustments	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	\$ 240,568,143	\$ 49,894,200	\$ 650,397	\$ -	\$ 190,023,546
Patient Services, Net	\$ 472,019,637	\$ -	\$ 12,401,157	\$ 202,396,141	\$ 257,222,339
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	\$ 32,915,514	\$ 6,621,425	\$ -	\$ -	\$ 26,294,089
Dining	30,986,030	4,463,316	-	-	26,522,714
Health, Physical Education, and Recreation Services	2,287,042	-	-	-	2,287,042
Bookstore	1,168,035	-	-	-	1,168,035
Parking	3,855,597	-	-	-	3,855,597
Athletic	27,096,248	-	-	-	27,096,248
Other	2,184,584	-	-	-	2,184,584
Sales and Services of Education and Related Activities	13,319,025	-	-	-	13,319,025
Total Sales and Services, Net	\$ 113,812,075	\$ 11,084,741	\$ -	\$ -	\$ 102,727,334

Note 12 - 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	\$ 267,971,634	\$ 32,789,915	\$ -	\$ 65,063	\$ -	\$ 300,826,612
Research	26,661,243	17,762,101	-	2,111	-	44,425,455
Public Service	24,584,812	6,442,545	-	16,928	-	31,044,285
Academic Support	25,832,770	14,477,855	-	15,006	-	40,325,631
Student Services	13,631,151	2,179,287	-	-	-	15,810,438
Institutional Support	53,996,923	16,901,705	-	55,599	-	70,954,227
Operations and Maintenance of Plant	33,545,367	32,688,937	-	17,907,345	-	84,141,649
Student Financial Aid	-	-	42,273,509	-	-	42,273,509
Auxiliary Enterprises	237,903,343	122,821,763	-	529,447	-	361,254,553
Depreciation/Amortization	-	-	-	-	52,255,594	52,255,594
Total Operating Expenses	\$ 684,127,243	\$ 246,064,108	\$ 42,273,509	\$ 18,591,499	\$ 52,255,594	\$ 1,043,311,953

Note 13 - Pension 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, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. 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, 2024 was 17.64% of covered payroll. Plan members' contributions to the pension plan were \$14,526,838, and the University's contributions were \$42,708,904 for the year ended June 30, 2024.

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 2023 *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.osc.nc.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 2023 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2024, the University reported a liability of \$220,513,650 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, and

update procedures were used to roll forward the total pension liability to June 30, 2023. 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, 2023, the University's proportion was 1.32266%, which was an increase of 0.07973 from its proportion measured as of June 30, 2022, which was 1.24293%.

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	12/31/2022
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, 2022 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, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2022 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, 2023 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 378,570,263	\$ 220,513,650	\$ 90,122,071

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2024, the University recognized pension expense of \$55,300,281. At June 30, 2024, 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	\$ 17,977,079	\$ 1,627,546
Changes of Assumptions	7,744,148	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	61,413,035	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	5,109,839	4,379,857
Contributions Subsequent to the Measurement Date	42,708,904	-
Total	\$ 134,953,005	\$ 6,007,403

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, 2025. 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
2025	\$ 26,896,545
2026	15,489,346
2027	41,227,429
2028	2,623,378
Total	\$ 86,236,698

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 and Fidelity Investments. 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, 2024, the University had a total payroll of \$480,576,519, of which \$238,462,554 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$14,307,753 and \$16,310,839, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions.

Note 14 - Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2023 *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.osc.nc.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. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2023 *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 15. 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 State Health 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 State Health 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, 2024 was 7.14%

of covered payroll. The University's contributions to the RHBF were \$34,313,163 for the year ended June 30, 2024.

In fiscal year 2022, the Plan transferred \$180.51 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, 2024, the University recognized noncapital contributions for RHBF of \$782,301.

2. Disability Income

Plan Administration: As discussed in Note 15, 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 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: Although DIPNC operates on a calendar year, 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, 2024 was 0.11% of covered payroll. The University's contributions to DIPNC were \$528,634 for the year ended June 30, 2024.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2024, the University reported a liability of \$595,494,706 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. 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, 2023, the University's proportion was 2.23472%, which was a decrease of 0.01933 from its proportion measured as of June 30, 2022, which was 2.25405%.

Disability Income Plan of North Carolina: At June 30, 2024, the University reported a liability of \$613,921 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. 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, 2023, the University's proportion was 2.30832%, which was an increase of 0.06593 from its proportion measured as of June 30, 2022, which was 2.24239%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, 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, 2023 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2022	12/31/2022
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
	6.5% grading down to	
Healthcare Cost Trend Rate - Medical***	5% by 2029	N/A
	10% grading down to	
Healthcare Cost Trend Rate - Prescription Drug***	5% by 2033	N/A
	7% grading down to	
Healthcare Cost Trend Rate - Prescription Drug Rebates***	5% by 2033	N/A
	0% through 2025, 5%	
Healthcare Cost Trend Rate - Medicare Advantage***	thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	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, 2023.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

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. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2022 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 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. 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 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2023 compared to 3.08% at June 30, 2022. 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 not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the University's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability 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		
		1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
RHBF	\$	702,500,099	\$ 595,494,706	\$ 508,347,111
		1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$	738,016	\$ 613,921	\$ 487,563

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 - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)	
RHBF	\$	491,634,802	\$	595,494,706	\$ 729,421,368

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2024, the University recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ (13,144,322)
DIPNC	859,240
Total OPEB Expense	\$ (12,285,082)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2024, 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	\$ 6,557,562	\$ 538,023	\$ 7,095,585
Changes of Assumptions	64,510,204	44,735	64,554,939
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	4,757,118	801,864	5,558,982
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	917,100	132,644	1,049,744
Contributions Subsequent to the Measurement Date	34,313,163	528,634	34,841,797
Total	\$ 111,055,147	\$ 2,045,900	\$ 113,101,047

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 583,465	\$ 340,039	\$ 923,504
Changes of Assumptions	158,873,182	104,798	158,977,980
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	42,206,341	28,811	42,235,152
Total	\$ 201,662,988	\$ 473,648	\$ 202,136,636

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBf and DIPNC in the fiscal year ending June 30, 2025. 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:

Year Ending June 30:	RHBf	DIPNC
2025	\$ (46,788,490)	\$ 304,413
2026	(54,152,945)	200,999
2027	(32,830,643)	302,451
2028	8,851,074	123,653
2029	-	63,594
Thereafter	-	48,508
Total	\$ (124,921,004)	\$ 1,043,618

Note 15 - Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

A. Employee Benefit Plans

1. State Health Plan

University employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 14, 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 14, 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

The University is required 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. The only exception to this would be certain properties scheduled for demolition, which are allowed to be covered for demolition and debris removal. Losses covered by the Fund are subject to a \$25,000 per occurrence deductible.

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by 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 North Carolina Department of Insurance for the coverage.

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. There is also an Excess Annual Aggregate Policy for an additional \$5,000,000 through another private insurance company. The University pays these premiums, based on a composite rate, payable through the North Carolina Association of Insurance Agents.

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the University

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance and the State's Agent of Record. The types of policies purchased include: professional liability, midwifery liability, medical malpractice, accident and health, athletic accident and travel, commercial crime and theft, surety bond, student internship liability, youth camps and programs accident, watercraft, oceanographic equipment, leased equipment, boiler and machinery, inland marine property, drones, cyber insurance, fine arts, musical instruments, international students, study abroad students, business travel, and policies as the need for additional coverage arises.

The University (Brody School of Medicine) established a segregated portfolio of self-insurance, identified as Buccaneer Cove, under the Channel Marker Insurance Company, SPC. This claims-made medical malpractice professional liability policy was purchased with the approval by the North Carolina Department of Insurance.

The University (Brody School of Medicine) provides medical malpractice insurance for Brody School of Medicine medical students, faculty physicians, nurse practitioners, physician assistants, certified nurse midwives and other clinical staff. Effective March 30, 2024, each individual faculty physician, physician assistant, nurse practitioner and certified nurse midwife has coverage of \$7,000,000 per occurrence with \$16,000,000 annual aggregate coverage. The primary layer of medical malpractice insurance includes a \$200,000 per claim deductible with an annual aggregate of \$1,000,000. There is also a shared, excess policy in the amount of \$10,000,000 per occurrence and in aggregate. Both the primary and excess policies of medical malpractice insurance are provided by the Channel Marker Insurance Company, SPC, and purchased with the approval of the North Carolina Department of Insurance. Additionally, Channel Marker provides a shared blanket general liability policy for all other clinical employees of the Brody School of Medicine with coverage of \$1,000,000 per claim and \$3,000,000 annual aggregate.

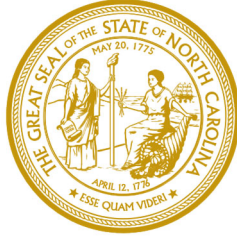
Note 16 - Commitments and Contingencies

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$68,129,526 and on other purchases were \$26,299,270 at June 30, 2024.
- 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 17 - Related Parties

Foundations - There are three separately incorporated nonprofit foundations associated with the University. These foundations are the East Carolina University Educational Foundation, Inc., the East Carolina University Medical and Health Sciences Foundation, Inc., and the East Carolina University Alumni Association, Inc.

These organizations serve as the primary fundraising arm of the University through which individuals, corporations, and other organizations support University programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific colleges and the University's overall academic environment. The University's financial statements do not include the assets, liabilities, net position, or operational transactions of the foundations, except for amounts reported within the fiduciary statements and support from each organization to the University. This support approximated \$18,107,517 for the year ended June 30, 2024. The University had receivables from the related parties of \$229,844 as of June 30, 2024.



Required Supplementary Information

East Carolina 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 D-1

Teachers' and State Employees' Retirement System	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net Pension Liability	1.32266%	1.24293%	1.32398%	1.36726%	1.40030%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 220,513,650	\$ 184,478,629	\$ 61,996,701	\$ 165,192,312	\$ 145,168,499
Covered Payroll	\$ 227,481,885	\$ 210,189,397	\$ 209,041,007	\$ 220,372,744	\$ 216,897,740
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	96.94%	87.77%	29.66%	74.96%	66.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.97%	84.14%	94.86%	85.98%	87.56%
	2019	2018	2017	2016	2015
Proportionate Share Percentage of Collective Net Pension Liability	1.41399%	1.38227%	1.33500%	1.34568%	1.37251%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 140,778,103	\$ 109,675,398	\$ 122,700,291	\$ 49,590,972	\$ 16,091,595
Covered Payroll	\$ 207,352,661	\$ 199,309,636	\$ 193,108,255	\$ 190,483,460	\$ 191,033,860
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	67.89%	55.03%	63.54%	26.03%	8.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%	94.64%	98.24%

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.

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

Exhibit D-2

Teachers' and State Employees' Retirement System	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 42,708,904	\$ 39,536,352	\$ 34,429,023	\$ 30,896,261	\$ 28,582,345
Contributions in Relation to the Contractually Determined Contribution	<u>42,708,904</u>	<u>39,536,352</u>	<u>34,429,023</u>	<u>30,896,261</u>	<u>28,582,345</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 242,113,965	\$ 227,481,885	\$ 210,189,397	\$ 209,041,007	\$ 220,372,744
Contributions as a Percentage of Covered Payroll	17.64%	17.38%	16.38%	14.78%	12.97%
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 26,656,732	\$ 22,352,617	\$ 19,891,102	\$ 17,669,405	\$ 17,429,237
Contributions in Relation to the Contractually Determined Contribution	<u>26,656,732</u>	<u>22,352,617</u>	<u>19,891,102</u>	<u>17,669,405</u>	<u>17,429,237</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 216,897,740	\$ 207,352,661	\$ 199,309,636	\$ 193,108,255	\$ 190,483,460
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%	9.15%	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.

East Carolina 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, 2024

Changes of Benefit Terms:

Teachers' and State Employees' Retirement System	Cost of Living Increase									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%

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.

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 13 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 2023 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

East Carolina 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 Eight Fiscal Years*

Exhibit D-3
Page 1 of 2

Retiree Health Benefit Fund	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net OPEB Liability	2.23472%	2.25405%	2.34393%	2.42664%	2.43634%
Proportionate Share of Collective Net OPEB Liability	\$ 595,494,706	\$ 535,266,896	\$ 724,638,339	\$ 673,169,944	\$ 770,846,234
Covered Payroll	\$ 447,234,830	\$ 422,848,709	\$ 419,278,004	\$ 437,186,008	\$ 432,020,151
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	133.15%	126.59%	172.83%	153.98%	178.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.73%	10.58%	7.72%	6.92%	4.40%
	2019	2018	2017		
Proportionate Share Percentage of Collective Net OPEB Liability	2.42398%	2.27894%	2.61367%		
Proportionate Share of Collective Net OPEB Liability	\$ 690,547,382	\$ 747,188,074	\$ 1,137,035,289		
Covered Payroll	\$ 415,110,052	\$ 398,444,199	\$ 384,271,288		
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	166.35%	187.53%	295.89%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%		

East Carolina 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 Eight Fiscal Years*

Exhibit D-3
Page 2 of 2

Disability Income Plan of North Carolina	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	2.30832%	2.24239%	2.30302%	2.48275%	2.50656%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 613,921	\$ 667,066	\$ (376,175)	\$ (1,221,364)	\$ (1,081,581)
Covered Payroll	\$ 447,234,830	\$ 422,848,709	\$ 419,278,004	\$ 437,186,008	\$ 432,020,151
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.14%	0.16%	0.09%	0.28%	0.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.61%	90.34%	105.18%	115.57%	113.00%
	2019	2018	2017		
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	2.52753%	2.45914%	2.42370%		
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (767,763)	\$ (1,503,026)	\$ (1,505,118)		
Covered Payroll	\$ 415,110,052	\$ 398,444,199	\$ 384,271,288		
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.18%	0.38%	0.39%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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.

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

Exhibit D-4
Page 1 of 2

Retiree Health Benefit Fund	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 34,313,163	\$ 30,814,480	\$ 26,597,184	\$ 28,007,771	\$ 28,285,935
Contributions in Relation to the Contractually Determined Contribution	34,313,163	30,814,480	26,597,184	28,007,771	28,285,935
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 480,576,519	\$ 447,234,830	\$ 422,848,709	\$ 419,278,004	\$ 437,186,008
Contributions as a Percentage of Covered Payroll	7.14%	6.89%	6.29%	6.68%	6.47%
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 27,087,663	\$ 25,114,158	\$ 23,149,608	\$ 21,519,192	\$ 20,768,826
Contributions in Relation to the Contractually Determined Contribution	27,087,663	25,114,158	23,149,608	21,519,192	20,768,826
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 432,020,151	\$ 415,110,052	\$ 398,444,199	\$ 384,271,288	\$ 378,302,835
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

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

Exhibit D-4
Page 2 of 2

Disability Income Plan of North Carolina	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 528,634	\$ 447,235	\$ 380,564	\$ 377,350	\$ 437,186
Contributions in Relation to the Contractually Determined Contribution	528,634	447,235	380,564	377,350	437,186
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 480,576,519	\$ 447,234,830	\$ 422,848,709	\$ 419,278,004	\$ 437,186,008
Contributions as a Percentage of Covered Payroll	0.11%	0.10%	0.09%	0.09%	0.10%
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 604,828	\$ 581,154	\$ 1,514,088	\$ 1,575,512	\$ 1,551,042
Contributions in Relation to the Contractually Determined Contribution	604,828	581,154	1,514,088	1,575,512	1,551,042
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 432,020,151	\$ 415,110,052	\$ 398,444,199	\$ 384,271,288	\$ 378,302,835
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.38%	0.41%	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.

East Carolina 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, 2024

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.

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. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

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 14 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.

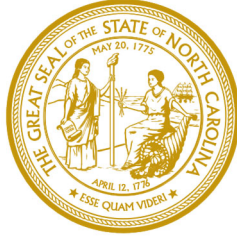
Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65%, from 3.54% as of June 30, 2022. This update was to reflect the 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 five years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates was included. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 and the terms of the third party administrator contract effective January 1, 2025 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2023 for DIPNC, the discount rate was updated to 3.00%, from 3.08% as of June 30, 2022. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with a change in the degree to which the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

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.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2023 *Annual Comprehensive Financial Report*.



Independent Auditor's Report



North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

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

Board of Trustees
East Carolina University
Greenville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of East Carolina 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, and its discretely presented component unit, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 12, 2024. Our report includes a reference to other auditors who audited the financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliates, as described in our report on the University's financial statements. The financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliates 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 East Carolina University Foundation, Inc. and Consolidated Affiliates.

Internal Control Over Financial Reporting

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

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

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



Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

November 12, 2024

Ordering Information

Copies of this report may be obtained by contacting:

Office of the State Auditor
State of North Carolina
20601 Mail Service Center
Raleigh, North Carolina 27699

Telephone: 919-807-7500
Fax: 919-807-7647
Internet: www.auditor.nc.gov



To report alleged incidents of fraud, waste or abuse in state government contact the
Office of the State Auditor's Tipline:

Telephone: 1-800-730-8477

Internet: www.auditor.nc.gov/about-us/state-auditors-tipline

For additional information contact the
North Carolina Office of the State Auditor at:

919-807-7666



This audit required 725 hours at an approximate cost of \$112,375.