North Carolina Central University

Durham, NC

Financial Statement Audit Report

For the Year Ended June 30, 2025

State Auditor
Dave Boliek

A Constitutional Office of the State of North Carolina

North Carolina Office of the State Auditor
Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Board of Trustees, North Carolina Central University
Dr. Karrie G. Dixon, Chancellor

North Carolina Central University has posted a welcomed turnaround from the financial errors previously reported by the North Carolina Office of the State Auditor. This year's financial statement audit is a step in the right direction toward managing the University's finances in compliance with accounting standards.

That said, NCCU cannot afford to regress. As the University moves forward, the State Auditor's Office will remain available for any assistance we can provide.

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

A clean audit shows a commitment to responsible financial management and also strengthens relationships between the public and government entities. This audit represents hard work from the team at NCCU and diligence from our team throughout the process. I'm thankful to NCCU staff for their assistance and cooperation throughout this audit.

Respectfully submitted,

Dave Boliek
State Auditor

REPORT SUMMARY

North Carolina Central University
Financial Statement Audit

The Office of the State Auditor (OSA) is required[1] to perform annual financial statement audits at each of the constituent institutions within the University of North Carolina System.

Quick Highlights

Revenues: $294.5 Million

Expenses: $286.5 Million

Audit Results

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

Audit Purpose & Importance

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

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

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

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

Reports

The University's financial statement audit reports are available on our website at this link.

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

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

[1] North Carolina General Statute 116-30.8

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

Independent Auditor's Report

North Carolina Office of the State Auditor
Dave Boliek, State Auditor

Independent Auditor's Report

Board of Trustees
North Carolina Central University
Durham, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of North Carolina Central 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, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of North Carolina Central University, and its discretely presented component unit, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the NCCU Real Estate Foundation Inc., which represent 3.51 percent of the assets of the University; nor the financial statements of the North Carolina Central University Foundation, Inc., the University's discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports 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 North Carolina Central 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 December 18, 2025 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Dave Boliek
State Auditor

Raleigh, North Carolina

December 18, 2025

Management's Discussion and Analysis

Introduction

Management’s Discussion and Analysis is intended to give the reader an overview of factors that have affected operations and may affect operations in the future for North Carolina Central University (the University). Management has prepared the discussion and analysis to be read in conjunction with the financial statements and accompanying notes to the financial statements. The University is required by the Governmental Accounting Standards Board (GASB) to present three basic financial statements. Those statements are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the University.

In addition to the University’s financial statements and accompanying notes, information for its component units are presented. The Statement of Financial Position, Statement of Activities and Changes in Net Assets, and certain notes for the North Carolina Central University Foundation, Inc. (NCCU Foundation) are discretely presented alongside the University’s financial statements; however, the discretely presented component unit is not included in management’s discussion and analysis. More information describing the relationship between the University and its discretely presented component unit can be found in Note 1A, Significant Accounting Policies - Financial Reporting Entity.

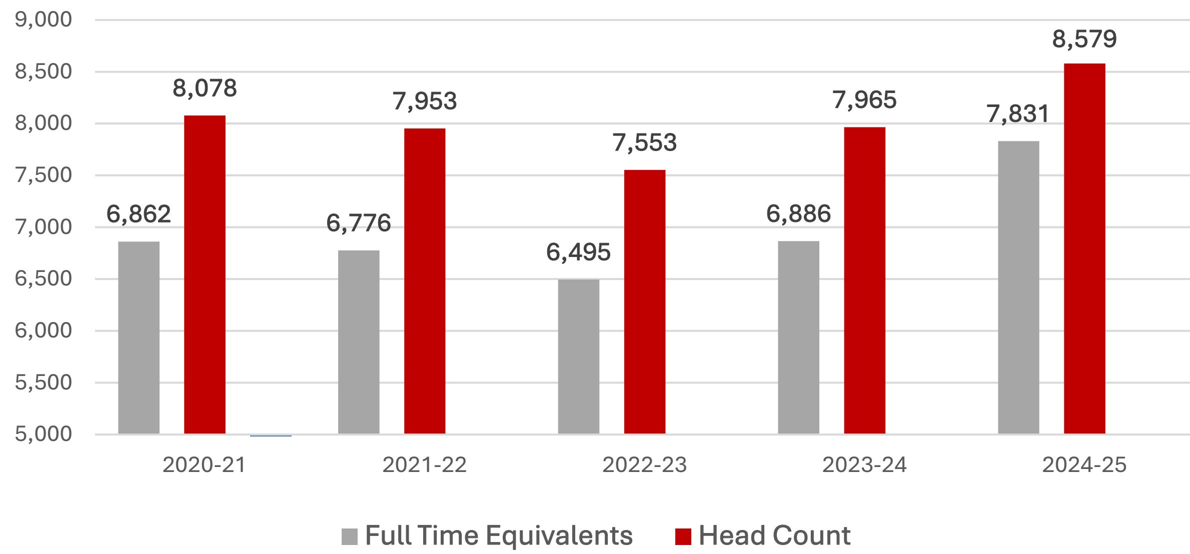
Brief Institutional Highlights

The University remains committed to advancing research and actively pursues external funding opportunities. During the fiscal year ended June 30, 2025, the Office of Sponsored Research submitted 160 grant proposals and secured 129 awards totaling $31.9 million, reflecting the institution’s continued success in attracting competitive research support.

For fiscal year ended June 30, 2025, the University's adjusted state appropriations were $98.2 million, which is an increase of $0.6 million from the fiscal year 2024 adjusted state appropriations of $97.6 million.

During fiscal year 2024–25, the University experienced a 7.7% increase in total headcount, reflecting continued growth in student enrollment. The first-year to second-year retention rate for full-time undergraduate students remained robust, signaling sustained student satisfaction and engagement. These positive retention trends are largely attributable to the University’s strategic recruitment efforts, targeted marketing initiatives, and the development of innovative academic and support programs aimed at attracting and retaining high-achieving students.

FTE and Head Count 2021 to 2025



Financial Highlights

The Statement of Net Position reports the University's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The sum of assets and deferred outflows of resources less the liabilities and deferred inflows of resources is reported as net position. The statement classifies those assets and liabilities as current or noncurrent depending on the availability of the assets or satisfaction of the obligation within 12 months (current) or longer (noncurrent). The reader may use net position to gauge the financial position of the University as of June 30, 2025.

The amounts below do not reflect the July 1, 2024 restatement for the implementation of GASB Statement No. 101 – *Compensated Absences*. See Note 21 to the financial statements for further details.

Condensed Statement of Net Position

	June 30, 2025	June 30, 2024
Assets		
Current Assets	$ 67,587,764	$ 57,878,355
Capital Assets, Net	417,490,099	426,286,801
Other Noncurrent Assets	81,653,618	77,554,632
Total Assets	566,731,481	561,719,788
Total Deferred Outflows of Resources	63,130,766	53,073,315
Liabilities		
Current Liabilities		
Long-Term Liabilities - Current Portion	7,254,533	7,797,555
Other Current Liabilities	25,438,708	25,088,663
Total Current Liabilities	32,693,241	32,886,218
Noncurrent Liabilities		
Long-Term Liabilities, Net	275,359,798	259,628,438
Other Noncurrent Liabilities	9,197,479	3,511,986
Total Noncurrent Liabilities	284,557,277	263,140,424
Total Liabilities	317,250,518	296,026,642
Total Deferred Inflows of Resources	115,294,985	130,573,884
Net Position		
Net Investment in Capital Assets	232,482,340	238,194,777
Restricted - Nonexpendable	16,986,463	16,554,604
Restricted - Expendable	63,870,354	56,544,769
Unrestricted	(116,022,413)	(123,101,573)
Total Net Position	$ 197,316,744	$ 188,192,577

As of June 30, 2025, the University's total assets stood at $566.7 million, reflecting a $5.0 million increase from the prior year's balance of $561.7 million. The increase in current assets was primarily due to an $8.2 million increase in unrestricted cash resulting from increased sports wagering revenues received from the State, combined with increased tuition and auxiliary revenues discussed below. The $8.8 million decrease in capital assets was attributable to ongoing depreciation, amortization, and disposals exceeding current year additions. The increase in other noncurrent assets was primarily due to a $3.0 million increase in endowment investments resulting from current year earnings.

Deferred outflows of resources were $63.1 million as of June 30, 2025 compared to $53.1 million as of the prior fiscal year, an increase of $10.0 million resulting from changes to actuarial valuations of the State's pension and other postemployment benefit (OPEB) plans. Refer to Notes 14 and 15 for details regarding deferred outflows of resources related to pensions OPEB plans, respectively.

As of June 30, 2025, the University's total liabilities reached $317.3 million, reflecting a $21.3 million increase from the prior year balance of $296.0 million. This growth was primarily concentrated in noncurrent liabilities due to a $25.7 million increase in the net OPEB liability. The increase in net OPEB liability is largely attributable to changes in assumptions and updated actuarial valuations of the OPEB plans. Additional details regarding long-term liabilities can be found in Note 9 of the Notes to the Financial Statements.

As of June 30, 2025, the University's current liabilities totaled $32.7 million, supported by current assets of $67.6 million. This results in a current ratio of 2.1, demonstrating the University's strong liquidity position and its capacity to meet short-term obligations as they come due.

Deferred inflows of resources were $115.3 million as of June 30, 2025 compared to $130.6 million in the prior fiscal year, a decrease of $15.3 million. The decrease is the result of changes to actuarial valuations of the State's pension and OPEB plans. Refer to Notes 14 and 15 for more information.

The University's net position consists of three primary classifications: net investment in capital assets, restricted, and unrestricted. Restricted net position includes the University's permanent endowment fund and expendable funds that are subject to externally imposed restrictions. The University's total net position was $197.3 million on June 30, 2025, a $9.1 million increase from the prior year's total net position.

The Statement of Revenues, Expenses, and Changes in Net Position reports the revenues earned and expenses incurred during the fiscal year. The increase or decrease of revenues over expenses directly affects (increases/decreases) the total net position reported on the Statement of Net Position. These transactions are classified as operating or nonoperating. Operating revenues primarily consist of student tuition and fees reported net of discounts and scholarship allowances, federal and state contracts and grants, and auxiliary sales and services revenues. Operating expenses consist of salaries and benefits, supplies and services, scholarships, utilities, and depreciation/amortization.

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

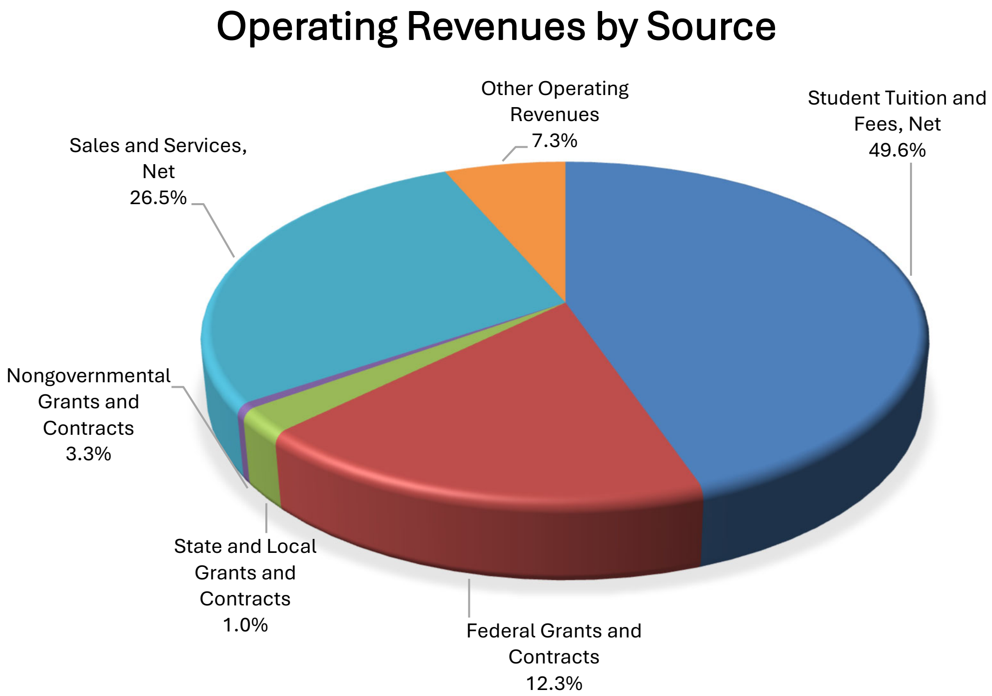
	2025	2024
Operating Revenues		
Student Tuition and Fees, Net	$ 64,191,848	$ 50,588,477
Contracts and Grants	21,523,459	24,719,020
Sales and Services, Net	34,218,172	30,943,006
Other Operating Revenues	9,405,090	7,260,547
Total Operating Revenues	129,338,569	113,511,050
Operating Expenses		
Salaries and Benefits	153,445,176	137,266,599
Supplies and Services	72,785,020	75,210,275
Scholarships and Fellowships	34,758,894	15,419,898
Utilities	6,609,572	6,317,512
Depreciation/Amortization	14,398,899	12,645,662
Operating Expenses	281,997,561	246,859,946
Operating Loss	(152,658,992)	(133,348,896)
Nonoperating Revenues (Expenses)		
State Appropriations	98,179,418	97,620,306
Student Financial Aid	33,772,420	24,141,556
Noncapital Contributions	19,916,782	14,720,208
Investment Income, Net	8,623,725	8,403,815
Interest and Fees on Debt	(3,113,566)	(3,340,639)
Loss on Disposal of Capital Assets	(1,387,036)	(8,289,890)
Other Nonoperating Revenues	2,997,913	2,198,457
Net Nonoperating Revenues	158,989,656	135,453,813
Income Before Other Revenues	6,330,664	2,104,917
Capital Contributions & Additions to Endowments	1,639,396	11,140,188
Increase in Net Position	7,970,060	13,245,105
Net Position - Beginning of Year*	188,192,577	174,947,472
Restatement	1,154,107	
Net Position - End of Year	$ 197,316,744	$ 188,192,577

Fiscal year 2025 total revenues were $294,468,223 and total expenses were $286,498,163
Fiscal year 2024 total revenues were $271,735,580 and total expenses were $258,490,475.

* Beginning net position for fiscal year 2025 includes an adjustment required by the implementation of GASB Statement No. 101 - Compensated Absences. As a result, it does not agree to the ending net position reported in the fiscal year 2024 financial statements. See Note 21 - Net Position Restatement for additional information.

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in the net position at the end of the year. Total revenues for the fiscal year were $294.5 million compared to $271.7 million from the previous year, an increase of $22.8 million.

The University reported operating revenues of $129.3 million for fiscal year 2025 as compared to $113.5 million in the previous year, an increase of $15.8 million, or 13.9%. This growth was largely driven by a $13.6 million increase in tuition and fees due to increased enrollment. Sales and services also increased by $3.2 million as a result of the enrollment increase, primarily in auxiliary operations.



Total operating expenses for fiscal year 2025 increased by $35.1 million, or 14.2%, over the prior year. Salaries and benefits increased by $16.2 million primarily due to a $14.1 million combined increase in pension and OPEB expense resulting from new actuarial valuations and legislative salary increases. Scholarships and fellowships increased by $19.3 million due to increased enrollment and financial aid revenues further discussed below.

Overall, the University sustained a total operating loss of $152.7 million in fiscal year 2025, which is $19.4 million higher than the prior year operating loss of $133.3 million. Operating losses are projected to continue in the future because of accounting requirement to categorize state appropriations, a significant source of funding, as nonoperating revenues. State appropriations for fiscal year 2025 were $98.2 million and increased by $0.6 million primarily due to legislative salary increases.

Nonoperating revenues and expenses stem from transactions that occur outside of the primary scope of the University's purpose for which no goods or services are provided in exchange. State appropriations, noncapital contributions, student financial aid, net investment income, and interest and fees on debt represent the majority of nonoperating revenues and expenses. For the fiscal year ended June 30, 2025, net investment income was $8.6 million, an increase of $0.2 million from the prior fiscal year due to favorable market returns. Student financial aid increased by $9.7 million due to increased enrollment and changes in the Federal formula for Pell eligible students, resulting in more awards. Capital contributions and appropriations decreased $9.5 million primarily due to decreased state funding for capital projects. The decrease in losses on disposals of capital assets was due to the significant impact of demolishing Baynes Hall in the prior year.

Capital Assets and Debt Administration

As of June 30, 2025, the University reported $6.8 million in construction in progress, reflecting ongoing investment in campus infrastructure and facilities. For further details regarding capital assets, refer to Notes 1(H), 6, and 17(A) in the Notes to the Financial Statements.

Outstanding long-term obligations as of June 30, 2025 totaled $96.3 million, and were comprised of revenue bonds payable, a note from direct borrowing, and subscription/lease liabilities. There were no material changes to the University's long-term debt profile compared to the prior fiscal year. Additional information on debt administration is available in Note 9 of the Notes to the Financial Statements.

Economic Outlook

The University will stay the course for building upon the foundation that has produced relatively stable headcount enrollment and a first-year to second-year full-time undergraduate retention rate that has remained at approximately 75%. These positive trends are the result of strategic initiatives that include expanding partnerships with other academic institutions, building a robust online platform, offering innovative programs that increase opportunities to underserved populations, and increasing recruitment and marketing efforts to target high-caliber students.

The University has committed to raising funds for Cheatham-White scholarships that will offer a fully funded four-year merit-based scholarship to cover all costs of attendance for up to 50 selected students. State appropriations will match the fundraising for the scholarships to the students who meet the merit requirements.

The continual growth of North Carolina, especially in the Triangle area, the desirability of a university degree, the underserved community that are our customers, and our continued outreach through partnerships and innovative programs to not only traditional students but to non-traditional students as well is a basis for forecasting that there will be an increasing demand for our product.

The Eagle Promise has established the following strategic priorities: to embrace student success and offer multiple access points for students seeking higher education; to expand the University's portfolio of academic offerings and research initiatives and provide new opportunities for global immersion; to expand partnerships with higher education institutions, community colleges, K-12, private industry and nonprofits to recruit, support and employ students; to facilitate the development of innovative strategies with Durham County, the City of Durham, and the Research Triangle to create economic opportunity and revitalization in areas surrounding the University; to reinforce and invest in improved security measures to enhance campus safety and well-being; and to improve and build new infrastructure to better accommodate the University community as it grows and thrives.

The University remains at the forefront of research within the State of North Carolina. The Julius L. Chambers Biomedical/Biotechnology Research Institute (BBRI) and the Bio-manufacturing Research Institute and Technology Enterprise (BRITE) provide a wealth of research opportunities for undergraduate and Ph.D. students.

The University remains proactive in pursuing grant funding to support its research initiatives and academic programs, securing awards from a diverse array of sponsors. These positive trends underscore a promising trajectory for the institution. Guided by the experienced leadership of Chancellor Karrie G. Dixon, North Carolina Central University is well-positioned to fulfill the Eagle Promise and continue its ascent toward excellence.

Financial Statements

North Carolina Central University
Statement of Net Position
June 30, 2025

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	19,188,572
Restricted Cash and Cash Equivalents		22,025,898
Restricted Short-Term Investments		3,644,032
Receivables, Net (Note 5)		20,525,669
Due from State of North Carolina Component Unit		261,699
Inventories		508,680
Leases Receivable, Net (Note 10)		56,999
Other Assets		1,376,215
Total Current Assets		67,587,764
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		11,049,562
Endowment Investments		62,611,093
Notes Receivable, Net (Note 18)		7,699,625
Leases Receivable, Net (Note 10)		59,464
Restricted Due from State of North Carolina Component Unit		100,000
Net Other Postemployment Benefits Asset		133,874
Capital Assets - Nondepreciable (Note 6)		20,800,723
Capital Assets - Depreciable, Net (Note 6)		396,689,376
Total Noncurrent Assets		499,143,717
Total Assets		566,731,481
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		24,231,602
Deferred Outflows Related to Other Postemployment Benefits (Note 15)		38,899,164
Total Deferred Outflows of Resources		63,130,766
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 8)		10,584,819
Funds Held for Others		261,699
Unearned Revenue		13,703,945
Interest Payable		888,245
Long-Term Liabilities - Current Portion (Note 9)		7,254,533
Total Current Liabilities		32,693,241

Noncurrent Liabilities:	
Accounts Payable and Accrued Liabilities (Note 8)	2,829,057
Deposits Payable	3,548,103
Funds Held for Others	1,890,180
U.S. Government Grants Refundable	930,139
Long-Term Liabilities, Net (Note 9)	275,359,798
Total Noncurrent Liabilities	284,557,277
Total Liabilities	317,250,518
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Under Public-Private Partnerships (Note 7)	88,562,701
Deferred Inflows Related to Pensions	451,590
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	26,165,916
Deferred Inflows for Leases	114,778
Total Deferred Inflows of Resources	115,294,985
NET POSITION	
Net Investment in Capital Assets	232,482,340
Restricted:	
Nonexpendable:	
Scholarships and Fellowships	5,522,208
Endowmend Professorships	11,464,255
Total Restricted-Nonexpendable Net Position	16,986,463
Expendable:	
Scholarships and Fellowships	8,026,584
Research	507,119
Endowed Professorships	39,475,777
Departmental Uses	1,486,624
Capital Projects	14,374,250
Total Restricted-Expendable Net Position	63,870,354
Unrestricted	(116,022,413)
Total Net Position	$ 197,316,744

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

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

Exhibit A-2

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 12)	$ 64,191,848
Federal Grants and Contracts	15,949,863
State and Local Grants and Contracts	1,323,833
Nongovernmental Grants and Contracts	4,249,763
Sales and Services, Net (Note 12)	34,218,172
Other Operating Revenues	9,405,090
Total Operating Revenues	129,338,569
OPERATING EXPENSES	
Salaries and Benefits	153,445,176
Supplies and Services	72,785,020
Scholarships and Fellowships	34,758,894
Utilities	6,609,572
Depreciation/Amortization	14,398,899
Total Operating Expenses	281,997,561
Operating Loss	(152,658,992)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	98,179,418
Student Financial Aid	33,772,420
Noncapital Contributions	19,916,782
Investment Income (Net of Investment Expense of $241,151)	8,623,725
Interest and Fees on Debt	(3,113,566)
Loss on Disposal of Capital Assets	(1,387,036)
Other Nonoperating Revenues	2,997,913
Net Nonoperating Revenues	158,989,656
Income Before Other Revenues	6,330,664
Capital Contributions	1,618,775
Additions to Endowments	20,621
Total Other Revenues	1,639,396
Increase in Net Position	7,970,060
NET POSITION	
Net Position - July 1, 2024, as Restated (Note 21)	189,346,684
Net Position - June 30, 2025	$ 197,316,744

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

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 129,987,781
Payments to Employees and Fringe Benefits	(158,221,854)
Payments to Vendors and Suppliers	(78,497,347)
Payments for Scholarships and Fellowships	(34,758,894)
Collection of Loans	32,625
William D. Ford Direct Lending Receipts	94,357,554
William D. Ford Direct Lending Disbursements	(94,357,554)
Related Activity Agency Receipts	1,657,399
Other Receipts	9,061,544
Net Cash Used by Operating Activities	(130,738,746)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	98,179,418
Student Financial Aid	33,772,420
Noncapital Contributions	19,877,231
Additions to Endowments	20,621
Total Cash Provided by Noncapital Financing Activities	151,849,690
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
Capital Contributions	1,618,775
Proceeds from Lease Arrangements	354
Acquisition and Construction of Capital Assets	(5,091,431)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(6,419,197)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(3,182,791)
Net Cash Used by Capital Financing and Related Financing Activities	(13,074,290)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	17,184,332
Investment Income	4,411,515
Purchase of Investments and Related Fees	(17,284,485)
Net Cash Provided by Investing Activities	4,311,362
Net Increase in Cash and Cash Equivalents	12,348,016
Cash and Cash Equivalents - July 1, 2024	39,916,016
Cash and Cash Equivalents - June 30, 2025	$ 52,264,032

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(152,658,992)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation/Amortization Expense		14,398,899
Lease Income (Amortized Deferred Inflows of Resources)		(57,253)
Allowances, Write-Offs, and Amortizations		1,960,871
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		4,278,080
Inventories		173,873
Other Assets		(1,376,215)
Notes Receivable, Net		32,625
Restricted Due from State of North Carolina Component Units		400,000
Net Other Postemployment Benefits Asset		(133,874)
Deferred Outflows Related to Pensions		8,257,828
Deferred Outflows Related to Other Postemployment Benefits		(18,315,279)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		(157,282)
Funds Held for Others		1,657,399
Unearned Revenue		1,496,227
Net Pension Liability		(5,007,999)
Net Other Postemployment Benefits Liability		25,756,531
Compensated Absences		(39,015)
Deposits Payable		3,547,703
Workers' Compensation Liability		268,773
Deferred Inflows Under Public-Private Partnerships		(1,954,423)
Deferred Inflows Related to Pensions		(402,808)
Deferred Inflows Related to Other Postemployment Benefits		(12,864,415)
Net Cash Used by Operating Activities	$	(130,738,746)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	2,348,036
Change in Fair Value of Investments		4,312,363
Loss on Disposal of Capital Assets		(1,387,036)
Amortization of Bond Premiums		(506,654)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions		(39,551)

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

North Carolina Central University Foundation, Inc.
Statement of Financial Position
June 30, 2025 Exhibit B-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	9,172,083
Accounts Receivable, Net		61,384
Contributions Receivable, Net		3,951,370
Investments		16,949,797
Prepaid Expenses		8,273
Total Current Assets		30,142,907
Net Property and Equipment		132,832
Other Assets:		
Investments		25,683,762
Cash Surrender Value of Life Insurance		489,977
Contributions Receivable, Net		4,927,010
Funds Held on Behalf of Others		261,699
Beneficial Interest in Split Interest Agreement and Perpetual Trust		2,091,591
Total Other Assets		33,454,039
Total Assets	$	63,729,778
LIABILITIES		
Accounts Payable and Accrued Expenses	$	367,070
Funds Held on Behalf of Others		261,699
Total Liabilities		628,769
NET ASSETS		
Without Donor Restrictions		3,264,036
With Donor Restrictions		59,836,973
Total Net Assets		63,101,009
Total Liabilities and Net Assets	$	63,729,778

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

North Carolina Central University Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2025 — Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 1,044,133	$ 16,683,500	$ 17,727,633
Contribution of Nonfinancial Assets	-	586,891	586,891
Investment Return, Net	853,420	2,909,005	3,762,425
Change in Value of Beneficial Interest in Split Interest Agreements and Perpetual Trust	-	(3,776)	(3,776)
Other Income	567,383	769,283	1,336,666
	2,464,936	20,944,903	23,409,839
Net Assets Released from Restrictions	10,687,451	(10,687,451)	-
Total Support and Revenue	13,152,387	10,257,452	23,409,839
EXPENSES			
Program Services:			
University Support	8,255,418	-	8,255,418
Scholarships	2,434,032	-	2,434,032
Management and General	1,588,512	-	1,588,512
Provision for Bad Debt	110,118	654,011	764,129
Total Expenses	12,388,080	654,011	13,042,091
Changes in Net Assets Before Net Asset Transfers	764,307	9,603,441	10,367,748
Transfers	(93,245)	93,245	-
Change in Net Assets	671,062	9,696,686	10,367,748
NET ASSETS			
Net Assets at Beginning of Year	2,592,974	50,140,287	52,733,261
Net Assets at End of Year	$ 3,264,036	$ 59,836,973	$ 63,101,009

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. North Carolina Central University (University) is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

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

Blended Component Unit - Although legally separate, the NCCU Real Estate Foundation, Inc. (Real Estate Foundation), a component unit of the University, is reported as if they were part of the University.

The Real Estate Foundation is governed by a three-member board consisting of elected directors. The Real Estate Foundation's purpose is to acquire property and to construct and own residential facilities for students. Because the elected directors of the Real Estate Foundation are appointed by the Chancellor, and the Real Estate Foundation's sole purpose is to benefit North Carolina Central University, its financial statements have been blended with those of the University.

Separate financial statements for the Foundation and the Investment Fund may be obtained from the University Comptroller's Office, 1801 Fayetteville Street, Durham, North Carolina 27707 or by calling 919-530-7432.

Condensed combining information regarding the University's blended component unit is provided in Note 19.

Discretely Presented Component Unit - The North Carolina Central University Foundation, Inc. (NCCU Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of their relationship to the University.

The NCCU Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The NCCU Foundation board consists of 18 members. Although the University does not control the timing or amount of receipts from the NCCU Foundation, the majority of resources, or income thereon, that the NCCU Foundation holds and invests are restricted to the activities of the

University by the donors. Because these restricted resources held by the NCCU Foundation can only be used by, or for the benefit of the University, the NCCU 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 NCCU Foundation is a private nonprofit organization that 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 NCCU Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2025, the Foundation distributed $8,255,418 to the University for both restricted and unrestricted purposes. Complete financial statements for the NCCU Foundation can be obtained from the Comptroller's Office, 1801 Fayetteville Street, Durham, North Carolina 27707, or by calling 919-530-7432.

B. **Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* and GASB Statement No. 84, *Fiduciary Activities,* the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, 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 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 and merchandise for resale, are valued at cost using the first-in, first-out method.

H. **Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The University capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the $5,000 threshold are capitalized when considered significant.

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

Asset Class	Estimated Useful Life
Buildings	50-75 years
Machinery and Equipment	5-25 years
General Infrastructure	15-75 years
Computer Software	2-10 years

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of $5,000 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 $10,000 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.

The art collection is capitalized at cost, acquisition value, or fair value at the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

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

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

There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.

K. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes: revenue bonds payable and a note from direct borrowing. 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. The University amortizes bond premiums over the life of the bonds using the straight-line method that approximates the effective interest method. Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are aggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

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

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

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

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

Bonus Leave – Bonus leave includes the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred to the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

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

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

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

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

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

O. **Scholarship Discounts** - Student tuition and fees revenues and auxiliary service revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount. The allocation of the scholarship discounts to tuition and fees revenues and auxiliary service revenues was changed in fiscal year 2025 to follow updated guidance from the National Association of College and University Business Officers (NACUBO). The updated guidance recommended the allocation of scholarship discounts be based on an analysis of individual student account charges and financial aid payments from the student management information system versus the use of aggregated student financial aid and aggregated revenue amounts.

P. **Revenue and Expense Recognition** - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

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

Note 2 - Deposits and Investments

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

At June 30, 2025, the amount shown on the Statement of Net Position as cash and cash equivalents includes $48,715,229, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 2.1 years as of June 30, 2025. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

Cash on hand at June 30, 2025 was $1,100. The carrying amount of the University's deposits not with the State Treasurer was $3,547,703 and the bank balance was $7,970,413. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2025, the University's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was $7,720,413.

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

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

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

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University does not have a formal policy that addresses interest rate risk.

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

UNC Investment Fund, LLC - At June 30, 2025, the University's investments include $51,344,140, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

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

Non-Pooled Investments

	Amount	Investment Maturities (in Years) Less Than 1
Investment Type		
Debt Securities		
Money Market Mutual Funds	$ 117,805	$ 117,805
Other Securities		
Domestic Stocks	14,793,180	
Total Non-Pooled Investments	$ 14,910,985	

At June 30, 2025, the University's non-pooled investments in money market mutual funds had a credit quality rating of AAA-Aaa from Moody's.

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

	Amount
Investment Type	
Debt Securities	
Money Market Mutual Funds	$ 117,805
Other Securities	
UNC Investment Fund	51,344,140
Domestic Stocks	14,793,180
Total Investments	$ 66,255,125

Component Unit - Investments of the University's discretely presented component unit, the NCCU Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the NCCU Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Amount
Investment Type	
Money Market Funds	$ 3,000,005
Mutual Funds	14,861,284
Equity Securities	9,532,012
Debt Securities	3,327,567
U.S. Government Obligations	8,816,269
Commodities	3,096,422
Total Investments	$ 42,633,559

Note 3 - Fair Value Measurements

University - To the extent available, the University's investments are recorded at fair value as of June 30, 2025. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

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 investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2025:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Other Securities				
Domestic Stocks	$ 14,793,180	$ 14,793,180	$ -	$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	48,715,229			
UNC Investment Fund	51,344,140			
Total Investments as a Position in an External Investment Pool	100,059,369			
Total Investments Measured at Fair Value	$ 114,852,549			

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.

Domestic Stocks - Equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Component Unit - Because the NCCU Foundation reports under the FASB reporting model, the disclosure of fair value measurements differs from the GASB reporting model used by the University.

U.S. GAAP 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 (i.e. the exit price). The NCCU Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets recorded at fair value are categorized within the fair value hierarchy based on the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset.

The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1 – Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2 – Financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Financial instruments that are not actively traded on an active exchange. This category includes situations where there is little if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuations techniques.

In determining fair value, the NCCU Foundation uses various approaches within the fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy:

Money Market Funds: Money market funds are in active markets and classified within Level 1 of the valuation hierarchy.

Equity Securities: Equity securities listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Debt Securities: Investment in debt securities includes corporate and foreign bonds that are either exchange-traded and/or valued at last sale price. If there is no sale and the market is considered active, the securities are valued at the mean of the last bid and asked prices on such exchange. These fixed income investments are classified within Level 2 of the valuation hierarchy.

U.S. Government Obligations: Investments in government and government agency obligations are either exchange-traded and/or valued at last sales prices. If there is no sale and the market is considered active, the securities are valued at the mean of the last bid and asked prices on such exchange. The fixed income investments are classified within Level 2 of the valuation hierarchy.

Mutual Funds and Commodities: Mutual funds and commodities listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Beneficial interest in perpetual trust: The Foundation has been named as a beneficiary in a perpetual trust in which the Foundation is not the trustee. This interest is valued using the fair value of the assets in the trust, as a practical expedient, since no facts and circumstances indicate that the fair value of the assets in the trusts differs from the fair value of the beneficial interest.

Due to the nature of perpetual trust, the Foundation does not have the ability to redeem the assets at the practical expedient. Under the guidelines set forth in the FASB ASC 820 fair value hierarchy, the beneficial interests are classified as Level 3 inputs.

The following table summarizes the NCCU Foundation's investments within the fair value hierarchy at June 30, 2025:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Money Market Funds	$ 3,000,005	$ 3,000,005	$ -	$ -
Mutual Funds	14,861,284	14,861,284	-	-
Equity Securities	9,532,012	9,532,012	-	-
Debt Securities	3,327,567	-	3,327,567	-
U.S. Government Obligations	8,816,269	-	8,816,269	-
Commodities	3,096,422	3,096,422	-	-
Total Investments Measured at Fair Value	42,633,559	30,489,723	12,143,836	-
Beneficial Interest in Perpetual Trust	2,091,591	-	-	2,091,591
Total Assets Measured at Fair Value	$ 44,725,150	$ 30,489,723	$ 12,143,836	$ 2,091,591

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 the University's endowment funds are determined by 5.5% of the 12-quarter moving average of the fund's market value. If current year earnings do not meet the payout requirement, the University uses accumulated income and appreciation to make up the difference. Expenditures in excess of the payout are authorized by the University's Board of Trustees of the Endowment Fund. At June 30, 2025, net appreciation of $48,923,955 was available to be spent, of which $47,502,361 was classified in net position as restricted: expendable: scholarships & fellowships and endowed professorships as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

Note 5 - Receivables

Receivables at June 30, 2025, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 18,567,278	$ 8,581,834	$ 9,985,444
Accounts	1,101,220	-	1,101,220
Intergovernmental	8,490,170	-	8,490,170
Interest on Loans	58,991	-	58,991
Other	889,844	-	889,844
Total Current Receivables	$ 29,107,503	$ 8,581,834	$ 20,525,669

Note 6 - Capital Assets

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

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets, Nondepreciable:				
Land	$ 13,185,562	$ -	$ -	$ 13,185,562
Art, Literature, and Artifacts	864,840	-	-	864,840
Construction in Progress	7,243,490	3,076,183	3,569,352	6,750,321
Total Capital Assets, Nondepreciable	21,293,892	3,076,183	3,569,352	20,800,723
Capital Assets, Depreciable:				
Buildings	501,038,739	3,348,348	-	504,387,087
Machinery and Equipment	55,498,401	1,566,613	5,428,485	51,636,529
General Infrastructure	26,726,490	219,405	-	26,945,895
Computer Software	8,831,923	-	-	8,831,923
Right-to-Use Leased Buildings	179,961	128,592	-	308,553
Right-to-Use Leased Machinery and Equipment	960,297	29,625	-	989,922
Right-to-Use Subscription Assets	2,849,380	2,189,819	-	5,039,199
Total Capital Assets, Depreciable	596,085,191	7,482,402	5,428,485	598,139,108
Less Accumulated Depreciation/Amortization for:				
Buildings	139,427,453	8,092,157	-	147,519,610
Machinery and Equipment	27,612,812	2,514,244	4,041,449	26,085,607
General Infrastructure	19,729,076	797,928	-	20,527,004
Computer Software	1,708,966	1,766,385	-	3,475,351
Right-to-Use Leased Buildings	73,621	43,655	-	117,276
Right-to-Use Leased Machinery and Equipment	779,286	176,420	-	955,706
Right-to-Use Subscription Assets	1,761,068	1,008,110	-	2,769,178
Total Accumulated Depreciation/Amortization	191,092,282	14,398,899	4,041,449	201,449,732
Total Capital Assets, Depreciable, Net	404,992,909	(6,916,497)	1,387,036	396,689,376
Capital Assets, Net	$ 426,286,801	$ (3,840,314)	$ 4,956,388	$ 417,490,099

As of June 30, 2025, the total amount of right-to-use leased and subscription assets was $1,298,475 and $5,039,199, and the related accumulated amortization was $1,072,982 and $2,769,178, respectively.

Note 7 - Public-Private Partnership For Student Housing Facilities

The University entered into an agreement on June 20, 2019 with Provident Group – NCCU Properties LLC (Provident) and Corvias Management, LLC (Corvias) to initiate a private-public partnership to design, construct, and operate three student housing facilities. Provident will bear the responsibility for the design, development, permitting, construction, equipping, furnishing, financing, and operation of the construction project. The University entered into this agreement to address the shortage of student housing caused by recent enrollment growth as well as the need to renovate and replace aging facilities.

The project is located on the campus of the University on land leased to Provident for 50 years. Upon final payment of all indebtedness owed under the agreement, Provident will transfer all of its interest in the facility for no cost to the University. The University will be responsible for assigning beds to students, collecting student rents, and remitting the student rents to Corvias for the term of the management agreement. The three student housing facilities, in the aggregate, will provide 1,270 student housing beds.

The project was developed in two phases over a two-year period. Phase I of the project was the construction and furnishing of two student housing facilities, George Street Residential Complex and Alston Avenue Apartments, that was completed and suitable for occupancy in the fall of 2020. Phase II consisted of constructing and furnishing the last of the student housing facilities, Lawson Street, and was completed and suitable for occupancy in the fall of 2021.

The agreement meets the definition of a service concession agreement, as defined in GASB Statement No.94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* As a result, the University reports the project as a capital asset and a related deferred inflow of resources. The University reports the facilities as capital assets with a carrying amount of $89,539,913 at year-end and a related deferred inflow of resources of $88,562,701. The net effect of this arrangement is reflected in the Statement of Net Position as an increase to net investment in capital assets of $977,212.

Note 8 - Accounts Payable and Accrued Liabilities

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

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 8,312,486
Accounts Payable - Capital Assets	607,603
Accrued Payroll	964,465
Contract Retainage	700,265
Total Current Accounts Payable and Accrued Liabilities	$ 10,584,819
Noncurrent Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 2,829,057

Note 9 - Long-Term Liabilities

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

	Balance July 1, 2024 (as Restated)	Additions	Reductions	Balance June 30, 2025	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 89,878,200	$ -	$ 4,710,000	$ 85,168,200	$ 4,945,000
Plus: Unamortized Premium	7,984,014	-	506,654	7,477,360	-
Total Revenue Bonds Payable, Net	97,862,214	-	5,216,654	92,645,560	4,945,000
Note from Direct Borrowing	1,787,413	-	564,223	1,223,190	595,381
Total Long-Term Debt	99,649,627	-	5,780,877	93,868,750	5,540,381
Other Long-Term Liabilities					
Lease Liabilities	297,558	139,638	201,091	236,105	111,698
Subscription (SBITA) Liabilities	945,321	2,189,919	943,883	2,191,357	840,074
Employee Benefits					
Compensated Absences	6,658,272	-	39,015	6,619,257	419,374
Net Pension Liability	52,538,420	-	5,007,999	47,530,421	-
Net Other Postemployment Benefits Liability	104,281,713	25,821,627	104,647	129,998,693	-
Workers' Compensation	1,900,975	613,595	344,822	2,169,748	343,006
Total Other Long-Term Liabilities	166,622,259	28,764,779	6,641,457	188,745,581	1,714,152
Total Long-Term Liabilities, Net	$ 266,271,886	$ 28,764,779	$ 12,422,334	$ 282,614,331	$ 7,254,533

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 10.
Additional information regarding the net pension liability is included in Note 14.
Additional information regarding the net other postemployment benefits liability is included in Note 15.
Additional information regarding workers' compensation is included in Note 16.

B. Revenue Bonds Payable - The University was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
General Revenue Bonds Payable					
Student Union Revenue Bond	2019	4.0% to 5.0%	04/01/2049	$ 42,045,000	$ 37,615,000
Refunded Bonds, Deferred Maintenance, and Infrastructure Improvements	2016	3.0% to 5.0%	10/01/2034	55,940,000	37,785,000
Total General Revenue Bonds				97,985,000	75,400,000
NCCU Real Estate Foundation, Inc.					
Refunded Suntrust Real Estate Foundation Housing System	2019	2.70%	10/01/2033	14,955,000	9,768,200
Total Revenue Bonds Payable (principal only)				$ 112,940,000	85,168,200
Plus: Unamortized Premium					7,477,360
Total Revenue Bonds Payable, Net					$ 92,645,560

C. Note from Direct Borrowing - The University was indebted for a note from direct borrowing for the purpose shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
Energy Performance Contract	Fifth Third Bank	4.81%	12/09/2026	$ 6,532,959	$ 1,223,190

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

	Annual Requirements			
	Revenue Bonds Payable		Note from Direct Borrowing	
Fiscal Year	Principal	Interest	Principal	Interest
2026	$ 4,945,000	$ 3,329,846	$ 595,381	$ 58,835
2027	5,210,000	3,097,681	627,809	30,198
2028	5,480,000	2,853,291	-	-
2029	5,570,000	2,618,884	-	-
2030	5,820,000	2,395,867	-	-
2031-2035	31,288,200	8,822,478	-	-
2036-2040	7,675,000	5,337,850	-	-
2041-2045	9,730,000	3,290,000	-	-
2046-2050	9,450,000	963,600	-	-
Total Requirements	$ 85,168,200	$ 32,709,497	$ 1,223,190	$ 89,033

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

Revenue Bonds Payable - The outstanding revenue bonds contain provisions that on the occurrence and continuance of an event of default, the Trustee may, or if required by a majority of the owners of the bonds, must declare the bonds to be immediately due and payable (except if matured installments are paid before any judgement or decree is obtained). Events of default are defined as: (1) failure to make any payment when due or (2) failure to perform any covenant, condition, agreement, or provision (other than failure to pay) which failure continues for a period of thirty days after written notice specifying such failure and requesting that it be remedied.

Note from Direct Borrowing - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for the UNC System Guaranteed Energy Savings Installment Financing Agreement in relation to the outstanding note from direct borrowing of $1,223,190. This agreement also contains provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within thirty days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within thirty days.

Upon the occurrence of any event of default, the lender may, without any further demand or notice, declare the unpaid principal amount plus any accrued and unpaid interest be due and payable immediately. The lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys' fees incurred.

F. **Prior Year Defeasances** - During prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2025, the outstanding balance of prior year defeased bonds was $33,840,000.

Note 10 - Leases and Subscription-Based Information Technology Arrangements

A. **Lessor Arrangements** - The University leases office space 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, 2025, the University recognized operating revenues related to lessor arrangements totaling $57,061, and nonoperating lease interest income totaling $546.

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

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2025	Current Portion	Lease Terms (1)	Interest Rate
Lessor:					
Buildings	2	$ 116,463	$ 56,999	2-5 years	0.32%

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

B. **Lessee Arrangements** - The University has lease agreements for the right to use office space 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.

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

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2025	Current Portion	Lease Terms [1]	Interest Rate Ranges
Lessee:					
Right-to-Use Leased Buildings	2	$ 195,058	$ 88,185	2-7 years	0.51%-2.93%
Right-to-Use Leased Machinery and Equipment	2	41,047	23,513	2-4 years	0.89%-2.72%
Total	4	$ 236,105	$ 111,698		

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

C. **Subscription-Based Information Technology Arrangements (SBITAs)** - The University enters SBITAs for the right to use information technology software and cloud computing arrangement (network) assets from external 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, 2025, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2025	Current Portion	SBITA Terms	Interest Rate Ranges
Right-to-Use Subscription Assets	16	$ 2,191,357	$ 840,074	2-6 years	1.85%-3.37%

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

	Annual Requirements			
	Lease Liabilities		SBITA Liabilities	
Fiscal Year	Principal	Interest	Principal	Interest
2026	$ 111,698	$ 3,446	$ 840,074	$ 58,014
2027	83,578	1,193	506,325	38,067
2028	32,505	199	266,020	25,011
2029	8,324	9	281,425	17,136
2030	-	-	297,513	147,034
Total Requirements	$ 236,105	$ 4,847	$ 2,191,357	$ 285,262

Note 11 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (23,750,409)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(117,375,979)
Effect on Unrestricted Net Position	(141,126,388)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	25,103,975
Total Unrestricted Net Position	$ (116,022,413)

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

Note 12 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 82,433,870	$ 16,716,138	$ 1,525,884	$ 64,191,848
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	$ 13,423,497	$ 2,642,475	$ -	$ 10,781,022
Dining	20,894,326	4,316,909	-	16,577,417
Student Union Services	1,557,242	327,680	-	1,229,562
Health, Physical Education, and Recreation Services	578,268	119,474	-	458,794
Bookstore	2,051,982	-	-	2,051,982
Parking	1,203,786	31,930	-	1,171,856
Athletic	2,283,701	481,668	-	1,802,033
Other	145,352	-	-	145,352
Sales and Services of Education and Related Activities	154	-	-	154
Total Sales and Services, Net	$ 42,138,308	$ 7,920,136	$ -	$ 34,218,172

Note 13 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 75,315,186	$ 11,917,481	$ 3,671,753	$ -	$ -	$ 90,904,420
Research	8,667,477	6,133,123	706,124	-	-	15,506,724
Public Service	895,703	1,061,181	2,720	-	-	1,959,604
Academic Support	18,176,711	6,270,537	413,905	-	-	24,861,153
Student Services	5,492,316	3,170,625	168,221	-	-	8,831,162
Institutional Support	15,472,140	5,261,350	362,499	-	-	21,095,989
Operations and Maintenance of Plant	12,794,694	6,122,657	-	6,415,229	-	25,332,580
Student Financial Aid	1,620,782	158,937	24,224,301	-	-	26,004,020
Auxiliary Enterprises	15,010,167	32,689,129	5,209,371	194,343	-	53,103,010
Depreciation/Amortization	-	-	-	-	14,398,899	14,398,899
Total Operating Expenses	$153,445,176	$ 72,785,020	$ 34,758,894	$ 6,609,572	$14,398,899	$ 281,997,561

Note 14 - Retirement Plans

A. Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2025 was 16.79% of covered payroll. Plan members' contributions to the pension plan were $3,959,451, and the University's contributions were $11,079,864 for the year ended June 30, 2025.

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

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

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

Net Pension Liability: At June 30, 2025, the University reported a liability of $47,530,421 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total pension liability to June 30, 2024. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the University's proportion was 0.321%, which was an increase of .006 from its proportion measured as of June 30, 2023, which was 0.315%.

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

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

* Salary increases include 3.25% inflation and productivity factor.

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

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

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

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

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

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

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

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

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$ 54,659,984	$ 47,530,421	$ 40,400,858

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2025, the University recognized pension expense of $13,567,529. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 4,283,316	$ 140,506
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	7,837,541	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,030,881	311,084
Contributions Subsequent to the Measurement Date	11,079,864	-
Total	$ 24,231,602	$ 451,590

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

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

Year Ending June 30:	Amount
2026	$ 3,980,206
2027	9,761,588
2028	(202,694)
2029	(838,952)
Total	$ 12,700,148

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

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

Participants contribute 6% of compensation and the University contributes 6.84%. For the year ended June 30, 2025, the University had a total payroll of $96,636,101, of which $30,645,249 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $1,838,715 and $2,096,135, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions.

Note 15 - Other Postemployment Benefits

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

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

B. Plan Descriptions

1. Health Benefits

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

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

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

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

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

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The University's contractually-required contribution rate for the year ended June 30, 2025 was 6.99% of covered payroll. The University's contributions to the RHBF were $6,754,863 for the year ended June 30, 2025.

In fiscal year 2023, the Plan transferred $35 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2025, the University recognized noncapital contributions for RHBF of $39,551.

2. **Disability Income**

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

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after: (1) reaching the age of 65 and completing five years of membership service; (2) reaching the age of 60 and completing 25 years of creditable service; or (3) completing 30 years of creditable service, at any age.

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

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

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

Contributions: Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2025 was 0.13% of covered payroll. The University's contributions to DIPNC were $125,627 for the year ended June 30, 2025.

C. Net OPEB Liability (Asset)

Retiree Health Benefit Fund: At June 30, 2025, the University reported a liability of $129,998,693 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the University's proportion was 0.382%, which was decrease of 0.009 from its proportion measured as of June 30, 2023, which was 0.391%.

Disability Income Plan of North Carolina: At June 30, 2025, the University reported an asset of $133,874 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The University's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the University's proportion was 0.407%, which was an increase of .014 from its proportion measured as of June 30, 2023, which was 0.393%.

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

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

* Salary increases include 3.25% inflation and productivity factor.

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

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

N/A - Not Applicable

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

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

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

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

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

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

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

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

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

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

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.93% at June 30, 2024 compared to 3.65% at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

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

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

Net OPEB Liability (Asset)

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
RHBF	$ 154,665,783	$ 129,998,693	$ 110,194,663
	1% Decrease (2.00%)	**Current Discount Rate (3.00%)**	**1% Increase (4.00%)**
DIPNC	$ (147,261)	$ (133,874)	$ (120,487)

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

	Net OPEB Liability		
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 4% - 5.17%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 5% - 6.17%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 6% - 7.17%, Administrative - 4%)
RHBF	$ 107,890,615	$ 129,998,693	$ 159,886,092

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

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

OPEB Plan	Amount
RHBF	$ (111,251)
DIPNC	91,032
Total OPEB Expense	$ (20,219)

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

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 1,059,565	$ 53,971	$ 1,113,536
Changes of Assumptions	30,200,781	1,996	30,202,777
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	557,066	105,099	662,165
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	40,196	40,196
Contributions Subsequent to the Measurement Date	6,754,863	125,627	6,880,490
Total	$ 38,572,275	$ 326,889	$ 38,899,164

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ -	$ 153,984	$ 153,984
Changes of Assumptions	16,949,175	62,371	17,011,546
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	9,000,386	-	9,000,386
Total	$ 25,949,561	$ 216,355	$ 26,165,916

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

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

Year Ending June 30:	RHBF	DIPNC
2026	$ (5,398,934)	$ (35,622)
2027	(65,531)	(25,741)
2028	5,541,881	25,824
2029	5,790,435	12,522
2030	-	7,924
Total	$ 5,867,851	$ (15,093)

Note 16 - Risk Management

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

The University is required by UNC Policy 1300.12 – Policy on Insurance Coverage to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a $5,000 per occurrence deductible.

2. **Public Officers' and Employees' Liability Insurance**

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

3. **Employee Dishonesty and Computer Fraud**

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

4. **Statewide Workers' Compensation Program**

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

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

5. **Other Insurance Held by the University**

   The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. These types of insurance include Master Musical Insurance to cover musical instruments owned by the University; Fine Art insurance to protect items considered works of art; Boiler and Machinery insurance to cover heavy equipment; master crime-robbery and safe burglary to cover safe & cash being held on campus; cyber & breach to cover the University in case of a cyber breach and ransom with a deductible of $125,000; drone coverage to cover any property damage caused by drones owned by departments; and Postal Bond insurances to cover possible losses of United States Postal Service property. The University also carries professional internship insurance on students working in health fields. Departments that secure this coverage include Nursing, Psychology, Communication Disorders, Physical Education and Recreation, Athletic Training and Social Work. Medical Liability insurance is carried on employees of the University who are accredited medical professionals and who practice in a clinical setting on campus.

Note 17 - Commitments and Contingencies

A. **Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $5,174,867 at June 30, 2025.

B. **Pending Litigation and Claims -** The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

Note 18 - Related Party

Rural Health Hub, Inc. (RHH) is a separately incorporated nonprofit corporation associated with the University. The RHH's purpose is to support the mission of the University by conducting academic research that focuses on health disparities, and to provide learning and workforce development opportunities for students of the University.

The RHH utilized a New Market Tax Credit (NMTC) financing structure to renovate a historic building in Enfield, North Carolina that will serve as an academic community health center. The University provided $7.73 million in reimbursable funding towards the renovation, and the project was completed in December 2024.

The NMTC financing structure required the RHH to enter a Loan and Security Agreement (Agreement) that was executed on January 26, 2024. The Agreement involves several parties, including the University and external investors. As part of the Agreement, the University issued a promissory note to USBCDC Investment Fund for the $7.73 million in funds contributed to the renovation project. Beginning March 15, 2024, through March 15, 2031, the University will receive interest-only payments at a rate of 1%. The outstanding principal balance will amortize over a period commencing on June 15, 2031, and ending on March 26, 2054. At June 30, 2025, the outstanding balance was $7,699,625.

Under the terms of the Agreement, the University is also a guarantor to ensure that external investors receive their expected tax credits. As guarantor, the University is jointly and severally obligated to ensure that RHH meets certain compliance and payment commitments through the seven-year compliance period ending in June 2031. If an event occurs that results in loss of the New Market Tax Credits (Recapture Event), the University would be obligated to pay the lost tax credits plus potential penalties and interest. Obligations resulting from a Recapture Event could range from $4.1 million to $5.0 million. However, no liability has been recorded in the financial statements because University management considers the likelihood of a Recapture Event to be remote.

Complete financial statements for the RHH can be obtained from Comptroller's Office, 1801 Fayetteville Street, Durham, North Carolina 27707, or by calling 919-530-7432.

Note 19 - Blended Component Unit

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

Condensed Statement of Net Position
June 30, 2025

	University	NCCU Real Estate Foundation	Eliminations	Total
ASSETS				
Current Assets	$ 65,024,773	$ 7,594,486	$ (5,031,495)	$ 67,587,764
Capital Assets, Net	405,166,445	12,323,654	-	417,490,099
Other Noncurrent Assets	81,653,618	-	-	81,653,618
Total Assets	551,844,836	19,918,140	(5,031,495)	566,731,481
TOTAL DEFERRED OUTFLOWS OF RESOURCES	63,130,766	-	-	63,130,766
LIABILITIES				
Current Liabilities	31,735,180	958,061	-	32,693,241
Long-Term Liabilities, Net	266,461,598	8,898,200	-	275,359,798
Other Noncurrent Liabilities	9,197,479	5,031,495	(5,031,495)	9,197,479
Total Liabilities	307,394,257	14,887,756	(5,031,495)	317,250,518
TOTAL DEFERRED INFLOWS OF RESOURCES	115,294,985	-	-	115,294,985
NET POSITION				
Net Investment in Capital Assets	229,926,886	2,555,454	-	232,482,340
Restricted - Nonexpendable	16,986,463	-	-	16,986,463
Restricted - Expendable	63,870,354	-	-	63,870,354
Unrestricted	(118,497,343)	2,474,930	-	(116,022,413)
Total Net Position	$ 192,286,360	$ 5,030,384	$ -	$ 197,316,744

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

	University	NCCU Real Estate Foundation	Eliminations	Total
OPERATING REVENUES				
Operating Revenues, Net	$ 129,338,569	$ 2,201,086	$ (2,201,086)	$ 129,338,569
OPERATING EXPENSES				
Operating Expenses	268,743,541	1,056,207	(2,201,086)	267,598,662
Depreciation/Amortization	13,966,010	432,889	-	14,398,899
Total Operating Expenses	282,709,551	1,489,096	(2,201,086)	281,997,561
Operating Income (Loss)	(153,370,982)	711,990	-	(152,658,992)
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	98,179,418	-	-	98,179,418
Student Financial Aid	33,772,420	-	-	33,772,420
Noncapital Contributions	19,916,782	-	-	19,916,782
Investment Income, Net	8,623,725	-	-	8,623,725
Interest and Fees on Debt	(2,840,469)	(273,097)	-	(3,113,566)
Loss on Disposal of Capital Assets	(1,387,036)	-	-	(1,387,036)
Other Nonoperating Revenues	2,997,913	-	-	2,997,913
Net Nonoperating Revenues (Expenses)	159,262,753	(273,097)	-	158,989,656
Capital Contributions	1,618,775	-	-	1,618,775
Additions to Endowments	20,621	-	-	20,621
Total Other Revenues	1,639,396	-	-	1,639,396
Increase in Net Position	7,531,167	438,893	-	7,970,060
NET POSITION				
Net Position, July 1, 2024 (as Restated)	184,755,193	4,591,491	-	189,346,684
Net Position, June 30, 2025	$ 192,286,360	$ 5,030,384	$ -	$ 197,316,744

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

	University	NCCU Real Estate Foundation	Total
Net Cash Provided (Used) by Operating Activities	$ (132,742,232)	$ 2,003,486	$ (130,738,746)
Total Cash Provided by Noncapital Financing Activities	151,849,690	-	151,849,690
Net Cash Used by Capital Financing and Related Financing Activities	(11,970,624)	(1,103,666)	(13,074,290)
Net Cash Provided by Investing Activities	4,311,362	-	4,311,362
Net Increase in Cash and Cash Equivalents	11,448,196	899,820	12,348,016
Cash and Cash Equivalents, July 1, 2024	33,221,350	6,694,666	39,916,016
Cash and Cash Equivalents, June 30, 2025	$ 44,669,546	$ 7,594,486	$ 52,264,032

Note 20 - Changes in Financial Accounting and Reporting

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

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risk Disclosures

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

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

Note 21 - Net Position Restatement

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

	Amount
July 1, 2024 Net Position as Previously Reported	$ 188,192,577
Restatement:	
Implementation of GASB Statement No. 101	1,154,107
July 1, 2024 Net Position as Restated	$ 189,346,684

Required Supplementary Information

North Carolina Central 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 C-1

Teachers' and State Employees' Retirement System	**2025**	**2024**	**2023**	**2022**	**2021**
Proportionate Share Percentage of Collective Net Pension Liability	0.321%	0.315%	0.333%	0.336%	0.341%
Proportionate Share of TSERS Collective Net Pension Liability	$ 47,530,421	$ 52,538,420	$ 49,443,947	$ 15,755,079	$ 41,244,313
Covered Payroll	$ 66,924,709	$ 63,040,524	$ 61,019,040	$ 61,718,304	$ 63,161,882
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	71.02%	83.34%	81.03%	25.53%	65.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.35%	82.97%	84.14%	94.86%	85.98%

	2020	**2019**	**2018**	**2017**	**2016**
Proportionate Share Percentage of Collective Net Pension Liability	0.346%	0.350%	0.355%	0.361%	0.363%
Proportionate Share of TSERS Collective Net Pension Liability	$ 35,911,139	$ 34,800,513	$ 28,184,721	$ 33,219,151	$ 13,381,322
Covered Payroll	$ 56,817,718	$ 54,887,002	$ 53,664,238	$ 52,900,534	$ 48,803,246
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	63.20%	63.40%	52.52%	62.80%	27.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%	94.64%

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

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

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

Exhibit C-2

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Contractually Required Contribution	$ 11,079,864	$ 11,805,519	$ 10,956,443	$ 9,994,919	$ 9,121,965
Contributions in Relation to the Contractually Determined Contribution	11,079,864	11,805,519	10,956,443	9,994,919	9,121,965
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 65,990,852	$ 66,924,709	$ 63,040,524	$ 61,019,040	$ 61,718,304
Contributions as a Percentage of Covered Payroll	16.79%	17.64%	17.38%	16.38%	14.78%

	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 8,192,096	$ 6,982,898	$ 5,916,819	$ 5,355,691	$ 4,840,399
Contributions in Relation to the Contractually Determined Contribution	8,192,096	6,982,898	5,916,819	5,355,691	4,840,399
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 63,161,882	$ 56,817,718	$ 54,887,002	$ 53,664,238	$ 52,900,534
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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

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

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

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

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

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

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

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

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

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

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

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

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

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

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

N/A - Not Applicable

North Carolina Central University
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Exhibit C-3

Last Nine Fiscal Years*

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability	0.382%	0.391%	0.424%	0.431%	0.434%
Proportionate Share of Collective Net OPEB Liability	$ 129,998,693	$ 104,177,066	$ 100,588,007	$ 133,338,828	$ 120,303,852
Covered Payroll	$ 97,193,945	$ 90,851,246	$ 89,298,728	$ 89,991,708	$ 90,604,741
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	133.75%	114.67%	112.64%	148.17%	132.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.79%	10.73%	10.58%	7.72%	6.92%

	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net OPEB Liability	0.445%	0.449%	0.438%	0.492%
Proportionate Share of Collective Net OPEB Liability	$ 140,777,132	$ 127,899,991	$ 143,564,788	$ 214,062,825
Covered Payroll	$ 84,846,454	$ 81,516,349	$ 79,897,368	$ 78,205,625
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	165.92%	156.89%	179.69%	273.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%

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

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.407%	0.393%	0.421%	0.432%	0.447%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ 133,874	$ 104,647	$ 125,334	$ (70,547)	$ (219,902)
Covered Payroll	$ 97,193,945	$ 90,851,246	$ 89,298,728	$ 89,991,708	$ 90,604,741
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.14%	0.12%	0.14%	0.08%	0.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	114.99%	90.61%	90.34%	105.18%	115.57%

	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.453%	0.459%	0.471%	0.465%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (195,577)	$ (139,301)	$ (287,674)	$ (288,461)
Covered Payroll	$ 84,846,454	$ 81,516,349	$ 79,897,368	$ 78,205,625
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.23%	0.17%	0.36%	0.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113.00%	108.47%	116.23%	116.06%

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

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

North Carolina Central University
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Last Ten Fiscal Years

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Contractually Required Contribution	$ 6,754,863	$ 6,939,648	$ 6,259,651	$ 5,616,890	$ 6,011,446
Contributions in Relation to the Contractually Determined Contribution	6,754,863	6,939,648	6,259,651	5,616,890	6,011,446
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 96,636,101	$ 97,193,945	$ 90,851,246	$ 89,298,728	$ 89,991,708
Contributions as a Percentage of Covered Payroll	6.99%	7.14%	6.89%	6.29%	6.68%

	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 5,862,127	$ 5,319,873	$ 4,931,739	$ 4,642,037	$ 4,379,515
Contributions in Relation to the Contractually Determined Contribution	5,862,127	5,319,873	4,931,739	4,642,037	4,379,515
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 90,604,741	$ 84,846,454	$ 81,516,349	$ 79,897,368	$ 78,205,625
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

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

Disability Income Plan of North Carolina	**2025**	**2024**	**2023**	**2022**	**2021**
Contractually Required Contribution	$ 125,627	$ 106,913	$ 90,851	$ 80,369	$ 80,993
Contributions in Relation to the Contractually Determined Contribution	125,627	106,913	90,851	80,369	80,993
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 96,636,101	$ 97,193,945	$ 90,851,246	$ 89,298,728	$ 89,991,708
Contributions as a Percentage of Covered Payroll	0.13%	0.11%	0.10%	0.09%	0.09%

	2020	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	$ 90,605	$ 118,785	$ 114,123	$ 303,610	$ 320,643
Contributions in Relation to the Contractually Determined Contribution	90,605	118,785	114,123	303,610	320,643
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 90,604,741	$ 84,846,454	$ 81,516,349	$ 79,897,368	$ 78,205,625
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

North Carolina Office of the State Auditor
Dave Boliek, State Auditor

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

Board of Trustees
North Carolina Central University
Durham, 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 North Carolina Central 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, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 18, 2025. Our report includes a reference to other auditors who audited the financial statements of the NCCU Real Estate Foundation, Inc. and the NCCU Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the NCCU Real Estate Foundation, Inc. and the NCCU Foundation, Inc. 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 those entities.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Boliek
State Auditor

Raleigh, North Carolina

December 18, 2025

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

This audit required 860 hours at an approximate cost of $133,300.