North Carolina State University

Raleigh, NC



Financial Statement Audit Report

For the Year Ended June 30, 2026

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 State University
Kevin Howell, J.D., Chancellor

North Carolina State University combines education and research, while expanding its College of Engineering to support new students and North Carolina's growing workforce. With revenues of $2.5 billion and expenses of $2.1 billion, it's important that proper financial control is maintained in the University's daily operations.

Through financial audits of universities and colleges, the North Carolina Office of the State Auditor assesses whether the records prepared by schools are materially correct. Our audit of North Carolina State University's financial records shows no material errors for the year ended June 30, 2026.

I appreciate North Carolina State University staff for their cooperation and responsiveness throughout the audit.

Respectfully submitted,

Dave Boliek
State Auditor

REPORT SUMMARY

North Carolina State University
Financial Statement Audit

The Office of the State Auditor 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: $2.5 Billion

Expenses: $2.1 Billion

Audit Results

- The University's financial statements for fiscal year ended June 30, 2026 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 State University
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of North Carolina State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component units, as of and for the year ended June 30, 2026, 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 the business-type activities and fiduciary activities of North Carolina State University, and its discretely presented component units, as of June 30, 2026, 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 NC State Investment Fund, Inc., which represent 24 percent and 8 percent, respectively, of the assets and revenues of the business-type activities, and 92 percent and 72 percent, respectively, of the assets and revenues of the fiduciary activities; nor the financial statements of the North Carolina State University Foundation, Inc. or the North Carolina Agricultural Foundation, Inc., the University's discretely presented component units. 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 State University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2026, North Carolina State University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements.* Our opinions are not modified with respect to this matter.

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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2026 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

November 13, 2026



Management's Discussion and Analysis

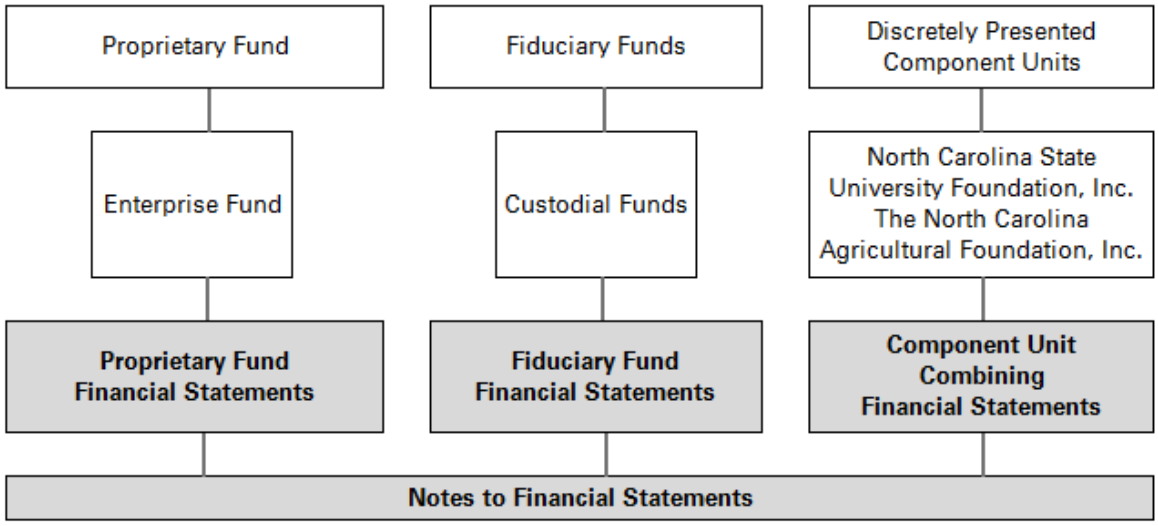
Introduction

The purpose of management's discussion and analysis (MD&A) is to facilitate a reader's understanding of what the financial statements and related notes in this financial report say about the University's financial health and why it changed from the previous fiscal year. It contains information drawn from the basic financial statements and other parts of the report accompanied by explanations derived from the Finance Division staff's knowledge of North Carolina State University (University) finances.

Overview of the Financial Statements

The University's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The University's financial report contains the basic financial statements, which include three sets of financial statements and related note disclosures (see Figure 1):

Figure 1 – Contents of the University's Basic Financial Statements



Note: The shaded boxes comprise the University's basic financial statements.

The notes to the financial statements delve deeper into the University's finances as reported in the financial statements. The University uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements.

The types of information the University reports in its three sets of financial statements are summarized below (see Table 1).

Table 1 – Financial Statement Information

1) Proprietary fund financial statements	Report on the University's primary activities.
2) Fiduciary fund financial statements	Report resources for the University as a custodian. These resources do not belong to the University and cannot be used to provide services.
3) Discretely presented component unit financial statements	Report on legally separate entities for which the University is financially accountable based on the nature and significance of their relationship with the University.

Note: The MD&A excludes discussions of fiduciary funds and discretely presented component units.

The University's proprietary fund financial statements are used to evaluate financial position as of June 30th and the results of operations for the fiscal year then ended.

- The *Statement of Net Position* provides information relative to the evaluation of financial position.
- The *Statement of Revenues, Expenses, and Changes in Net Position* provides information relative to the evaluation of the results of operations. Its ending net position agrees to the total net position on the *Statement of Net Position*.
- The *Statement of Cash Flows* is used to identify the University's sources and uses of cash. The ending cash on the *Statement of Cash Flows* agrees to the total cash reported on the *Statement of Net Position*. Also, this statement reconciles the net operating loss reported in the *Statement of Revenues, Expenses, and Changes in Net Position* to the net cash used by operating activities.

All the University's financial statements use the *economic resources measurement focus and accrual basis of accounting.* In other words, they comprehensively report all types of financial statement elements including:

- *Assets*—resources the University controls, from short-term assets like cash to long-term assets like buildings.
- *Liabilities*—amounts the University owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed for pensions.
- *Deferred outflows of resources* and *deferred inflows of resources*—flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses*—inflows and outflows of economic resources, respectively, related to the current year.

More details about the measurement focus and basis of accounting can be found in Note 1 to financial statements, the summary of significant accounting policies.

Financial Summary

The following is a comparative analysis on the condensed balances reported in the *Statement of Net Position* as of June 30, 2026, and as of June 30, 2025.

Table 2 – NC State University's Net Position

Condensed Statement of Net Position - Proprietary Fund	2026	2025	% Change
Assets			
Current Assets	$ 743,962,611	$ 699,403,868	6.37%
Capital Assets, Net	2,602,661,813	2,515,205,524	3.48%
Other Noncurrent Assets	1,318,439,203	1,170,019,706	12.69%
Total Assets	4,665,063,627	4,384,629,098	6.40%
Deferred Outflows of Resources			
Deferred Outflows Related to Asset Retirement	14,845,459	14,632,138	1.46%
Deferred Outflows Related to Pensions	112,592,144	172,790,920	(34.84%)
Deferred Outflows Related to OPEB	321,660,574	426,538,116	(24.59%)
Total Deferred Outflows of Resources	449,098,177	613,961,174	(26.85%)
Liabilities			
Current Liabilities	292,072,899	270,467,742	7.99%
Noncurrent Liabilities			
Long-Term Liabilities, Net	1,865,943,525	2,423,191,740	(23.00%)
Other Noncurrent Liabilities	74,212,624	78,905,702	(5.95%)
Total Liabilities	2,232,229,048	2,772,565,184	(19.49%)
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	8,749,401	2,970,595	194.53%
Deferred Inflows Related to OPEB	461,334,595	198,698,438	132.18%
Deferred Inflows for Leases	38,240,307	39,402,964	(2.95%)
Total Deferred Inflows of Resources	508,324,303	241,071,997	110.86%
Net Position			
Net Investment in Capital Assets	1,885,616,893	1,839,441,879	2.51%
Restricted			
Nonexpendable	235,745,316	228,659,070	3.10%
Expendable	756,499,359	613,949,448	23.22%
Unrestricted	(504,253,115)	(697,097,306)	(27.66%)
Total Net Position	$2,373,608,453	$1,984,953,091	19.58%

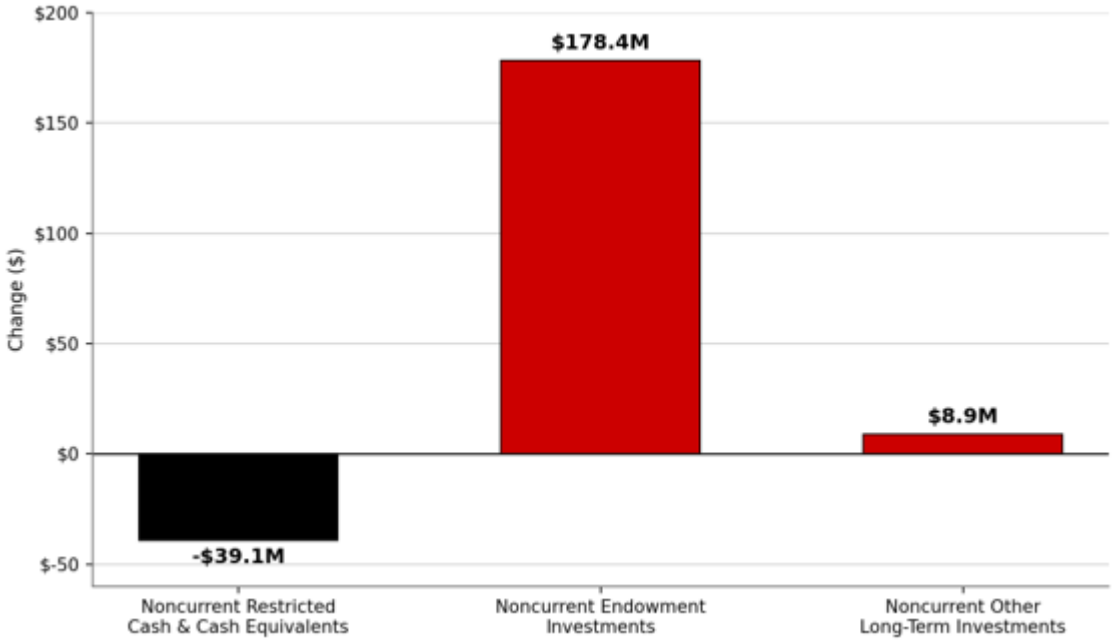
Detailed Analysis

Statement of Net Position – Table 2

The University's current assets increased $44.6 million, or 6.4 percent compared to prior year. The net growth in cash between fiscal year 2025 and fiscal year 2026 consisted of a $48.2 million rise in auxiliaries & sales and services, $13.4 million in higher overhead receipts, and $9.8 million in additional gifts and endowment funds. Within auxiliaries & sales and services, key growth drivers included a $32.5 million increase in the internal bank portfolio (from loan prepayments, interest

earnings, and excess bond proceeds), a $22 million increase in cash reserves from rate increases in housing, dining, and parking to combat inflation and prepare for the Cates West expansion, and a $5.5 million rise in Centennial Campus rental income. These cash reserves were partially offset by a $19.4 million decline in Athletics resulting from student-athlete revenue sharing payments effective for the first time in fiscal year 2026.

Figure 2 – Changes in Noncurrent Assets
From 2025 to 2026 (in Millions)



Reference Figure 2 for significant changes in noncurrent assets from the prior fiscal year. Noncurrent endowment investments increased by $178.4 million representing the largest driver of the change in noncurrent assets, resulting primarily from favorable overall market conditions during the year, which produced $172.8 million in unrealized appreciation. Noncurrent restricted cash and cash equivalents decreased by $39.1 million, due to bond proceeds being drawn down to pay for ongoing construction activity. Noncurrent other long-term investments increased by $8.9 million, reflecting $13.3 million in unrealized market gains during the year, partially offset by other investment activities, driven by market performance.

The deferred outflows of resources are shown in a separate section of the financial statements after assets. The individual line items are summarized below:

- The deferred outflows for asset retirement obligations are the costs to be recognized in future years to retire the nuclear reactor on campus.
- The deferred outflows for pensions reflect the University's allocated portion for the Teachers' and State Employees' Retirement System (TSERS) cost-sharing pension plan. These amounts are amortized over time as pension expense.

- The deferred outflows for Other Postemployment Benefits (OPEB) reflect the University's allocated portion for the State's OPEB plans. These amounts are amortized over time as OPEB expense.

Deferred outflows of resources decreased by $164.9 million or 26.9 percent, totaling $449.1 million at June 30, 2026. The primary source was a $104.9 million reduction in OPEB-related deferred outflows, resulting from updated actuarial assumptions in the State's OPEB plans including a lower projected healthcare cost trend rate and an increase in the Retiree Health Benefit Fund (RHBF) discount rate from 3.93 percent to 5.2 percent. Additionally, pension-related deferred outflows declined by $60.2 million as actual investment returns within the TSERS exceeded actuarial expectations, reducing the unamortized net difference between projected and actual plan investment earnings. Deferred outflows for asset retirement obligations (ARO) remained relatively stable, increasing by $0.2 million to reflect updated inflation-adjusted nuclear reactor decommissioning estimates.

Current liabilities increased by $21.6 million or 8.0 percent compared to prior year. This increase is mainly due to the pollution remediation liability related to Poe Hall as well as increases in construction in progress and capitalized buildings.

Noncurrent liabilities reported in Table 2 decreased by $561.9 million or 22.5 percent compared to the prior year. This overall decrease was driven predominantly by a $464.9 million decrease in the University's portion of the net OPEB liability, for the reasons previously discussed above, as well as a $69.2 million decrease in the University's portion of the net pension liability. Additionally, revenue bonds and bonds from direct placement outstanding decreased by $25.6 million, reflecting scheduled debt service payments during the year.

Deferred inflows of resources are shown in a separate section in the financial statement after liabilities. The individual line items are summarized below.

- The deferred inflows for pensions are amortized over time as a reduction of pension expense.
- The deferred inflows for OPEB are amortized over time as a reduction of OPEB expense.
- The deferred inflows for leases reflect amounts recognized for leases when the University is the lessor (i.e., an offset to receivables at inception of the lease). These amounts are amortized over time as lease revenue.

Figure 3 – Changes in Deferred Inflows of Resources From 2025 to 2026 (in Millions)

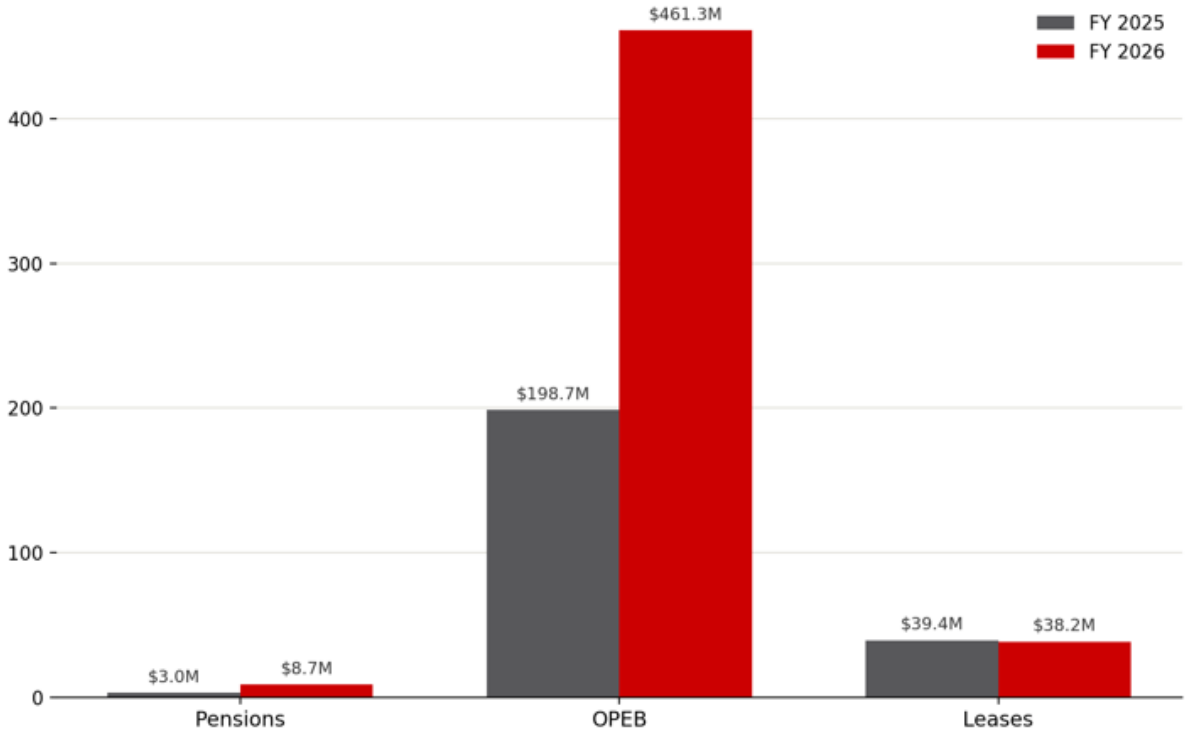


Figure 3 highlights deferred inflows of resources increase by $267.3 million, or 110.9 percent to $508.3 million. This expansion was dominated by a $262.6 million increase in OPEB-related deferred inflows driven primarily by changes in actuarial assumptions within the State's OPEB plan valuation. Additionally, pension-related deferred inflows increased by $5.8 million, to $8.7 million, reflecting strong investment performance within the Teachers' and State Employees' Retirement System (TSERS) during the measurement period. These increases were slightly offset by a $1.2 million reduction in lease deferred inflows attributable to routine systematic revenue recognition.

Table 2 shows that as of June 30, 2026, the University's total net position—assets and deferred outflows minus liabilities and deferred inflows—was $2.37 billion, an increase of $388.7 million or 19.6 percent compared with 2025. The negative unrestricted net position balance decreased by $192.8 million mainly due to fluctuations in pension and OPEB reporting. Net investment in capital assets increased $46.2 million due to an increase in capital assets which outpaced the increase in capital liabilities. Restricted nonexpendable net position increased $7.1 million contributed to an increase in gifts for professorships and the State matching for professorships. Restricted expendable net position increased $142.5 million, driven by increases in investment returns and the completed funding of new professorships.

The University's current assets are more than sufficient to cover current liabilities, with a ratio of 2.5 times compared to 2.6 times in the prior year. The University's total assets are more than the University's liabilities with a ratio of 2.1 times as compared to 1.6 times in the prior year. These

financial ratios are indicators of the University's financial strength and its ability to meet current and long-term obligations.

Statement of Revenues, Expenses, and Changes in Net Position – Table 3

During the fiscal year 2026, the University implemented GASB Statement No. 103, *Financial Reporting Model Improvements*. Implementation of this Statement resulted in changes to the *Statement of Revenues, Expenses, and Changes in Net Position*, including the creation of a new financial reporting section, noncapital subsidies, and a specific definition of what is included in other nonoperating revenues (expenses). Certain 2025 balances have been reclassified in the table below for this implementation; however, prior year balances were not restated as there was no change in net position.

The following table summarizes and compares the University's results of operations for fiscal years ended June 30, 2026, and June 30, 2025.

Table 3 – Changes in NC State University's Net Position

Condensed Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	2026	2025 (As Reclassified)	% Change
Operating Revenues			
Student Tuition and Fees, Net	$ 366,606,248	$ 357,544,035	2.53%
Grants and Contracts	457,520,246	463,149,507	(1.22%)
Federal Appropriations	23,801,047	24,763,935	(3.89%)
Student Financial Aid	63,237,555	66,685,810	(5.17%)
Sales and Services, Net	408,564,949	379,974,184	7.52%
Other, Net	22,203,228	22,799,334	(2.61%)
Total Operating Revenues	1,341,933,273	1,314,916,805	2.05%
Operating Expenses			
Salaries and Benefits	1,238,357,615	1,344,000,225	(7.86%)
Supplies and Services	576,877,384	569,784,000	1.24%
Scholarships and Fellowships	58,161,681	56,148,839	3.58%
Utilities	45,673,076	43,864,879	4.12%
Depreciation/Amortization	169,555,854	159,446,506	6.34%
Total Operating Expenses	2,088,625,610	2,173,244,449	(3.89%)
Operating Loss	(746,692,337)	(858,327,644)	(13.01%)
Noncapital Subsidies			
State Appropriations	684,376,819	677,903,929	0.95%
Other Noncapital Aid and Contributions	133,924,017	127,930,116	4.69%
Total Noncapital Subsidies	818,300,836	805,834,045	1.55%
Operating Income (Loss) and Noncapital Subsidies	71,608,499	(52,493,599)	(236.41%)
Other Nonoperating Revenues (Expenses)			
Investment Income, Net	227,078,974	107,890,460	110.47%
Interest and Fees on Debt	(21,420,484)	(21,635,549)	(0.99%)
Capital Appropriations and Contributions	97,999,532	102,975,537	(4.83%)
Additions to Endowments	7,942,941	19,670,906	(59.62%)
Interest Earnings on Loans	56,113	73,133	(23.27%)
Lease Interest Revenue	3,172,039	2,218,730	42.97%
Resources (Loss) from the Disposal of Capital Assets	2,217,748	(5,638,380)	(139.33%)
Net Other Nonoperating Revenues (Expenses)	317,046,863	205,554,837	54.24%
Increase in Net Position	388,655,362	153,061,238	153.92%
Beginning Net Position	1,984,953,091	1,831,891,853	8.36%
Ending Net Position	$ 2,373,608,453	$ 1,984,953,091	19.58%

Fiscal year 2025-2026 total revenues are $2,498,701,456 and total expenses are $2,110,046,094. Fiscal year 2024-2025 total revenues are $2,353,579,616 and total expenses are $2,200,518,378.

Figure 4 – Operating Revenues, Nonoperating Revenues, & Noncapital Subsidies by Source From 2025 to 2026

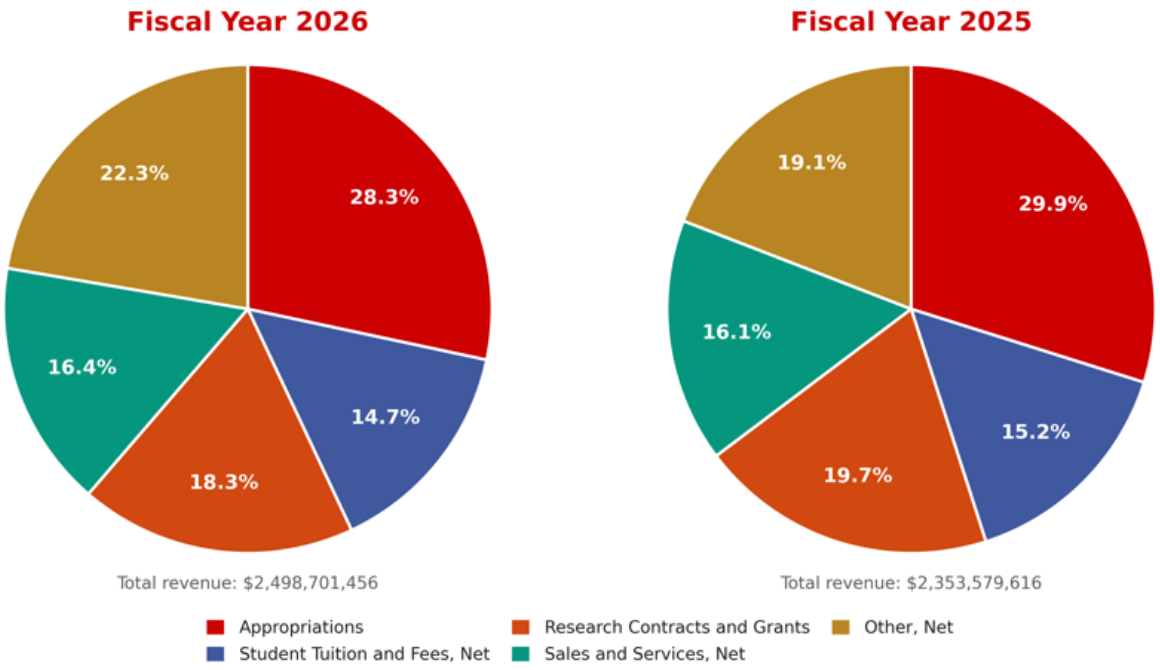


Table 3 shows that revenues (operating, nonoperating, and noncapital subsidies) continued to exceed expenses (operating and nonoperating) in the current year. Total revenues increased $145.1 million or 6.2 percent compared to the prior year.

Figure 4 features revenues by source. Sales and services was the primary driver of growth, experiencing a net increase of $28.6 million. To offset rising labor, inflation, and capital costs, the Board of Trustees approved rate increases for dining of 4.81 percent, permit parking of 4.50 percent, and housing of 4.24 percent, generating incremental revenues of $5.0 million, $1.0 million, and $1.0 million, respectively. Additionally, the first full year of the Course Ready program yielded a $4.8 million increase in bookstore revenue. Finally, athletics revenue expanded by $15.6 million, reflecting enhanced ACC distributions (Expansion Surplus, Success Incentive, and Football Bowl revenue), a $4.0 million coaching contract buyout from Louisiana State University, and $5.9 million from multimedia rights profit-sharing. Net student tuition and fees increased by $9.1 million in fiscal year 2026, driven by a combination of enrollment growth, approved fee adjustments, and board-authorized tuition rate increases. Total student enrollment expanded by 795 students over the prior fiscal year. Additionally, pricing adjustments for the 2025–2026 academic year included a $42 per year student fee increase, a 3 percent tuition increase for both undergraduate and graduate nonresidents, and a 4 percent tuition increase for resident graduate students. Operating expenses decreased $84.6 million compared to the prior year. This decrease included salaries and benefits of $105.6 million, caused by a $72.4 million decrease in OPEB expense and a $26.6 million decrease in pension expense related to reasons noted above in the deferred outflows of resources and deferred inflows of resources sections. Supplies and services increased $7.1 million over prior year. Attributable to $19.4 million for athletics student-athlete revenue sharing payments and $7.0 million for Poe Hall pollution remediation. These were offset by decreases of $16.0 million in sub-grant and

sub-contract payments directly related to decreases in federal grants and contracts. Depreciation and amortization increased $10.1 million due to asset additions during the year as shown below.

Pursuant to GASB Statement No. 103, *Financial Reporting Model Improvements*, state appropriations and noncapital contributions are reportable within the newly created noncapital subsidies section. State appropriations increased $6.5 million due to enrollment growth funding. After the fiscal year 2025 reclassification, noncapital contributions increased $6.0 million, or 4.7 percent. The increases include $7.4 million in support from foundations, $7.5 million in other gifts, offset by a decrease in endowment gifts of $9.0 million.

Other nonoperating revenues (expenses) increased $111.5 million compared to the prior fiscal year, driven almost entirely by a $119.2 million rise in investment income. Of this increase, $78.7 million reflects unrealized gains on investments, and $40.4 million reflects realized gains, both attributable to overall market performance during fiscal year 2026. Partially offsetting this gain, additions to endowments declined year over year: contributions for distinguished professorships decreased $2.3 million, and gifts to permanent endowments decreased $9.3 million due to fluctuations in donor giving.

Significant Capital Asset and Long-Term Financing Activity

As shown in Table 4 below, the University increased its net capital assets by $87.5 million or 3.5 percent during fiscal year 2026 compared to 2025.

Table 4 – Capital Asset Changes

	2026	2025	Changes	% Changes
Land	$ 92,184,533	$ 93,399,083	$ (1,214,550)	(1.30%)
Construction in Progress	321,651,905	256,418,155	65,233,750	25.44%
Buildings	2,959,394,898	2,880,736,334	78,658,564	2.73%
Machinery and Equipment	607,827,131	592,292,437	15,534,694	2.62%
General Infrastructure	360,669,620	329,474,794	31,194,826	9.47%
Computer Software	60,419,747	56,146,895	4,272,852	7.61%
Right-to-Use Leased Buildings	138,636,377	120,921,980	17,714,397	14.65%
Other Assets	44,324,552	37,216,473	7,108,079	19.10%
Accumulated Depreciation/Amortization	(1,982,446,950)	(1,851,400,627)	(131,046,323)	7.08%
Net Capital Assets	$ 2,602,661,813	$ 2,515,205,524	$ 87,456,289	3.48%

Table 5 – Major Capital Projects in Progress
Fiscal Year 2026

Description	Added During Fiscal Year 2026	Total Costs as of June 30, 2026	Total Projected Costs
Integrated Science Building - Woodson Hall	$ 46,833,254	$ 142,431,481	$180,000,000
Mann Hall Renovation	16,509,650	20,594,719	66,250,000
Dabney Hall Renovation	13,079,278	35,893,285	140,000,000
Doak Field Renovation and Addition	10,901,938	16,907,970	20,000,000

During fiscal year 2026, the University continued construction on new facilities and worked on renovations to modernize the campus. Funding for these improvements came from funds provided

by university debt financing and other capital funding from the State of North Carolina. For details on outstanding commitments on construction contracts see Note 17.

Table 6 – Major Additions to Buildings and Infrastructure During Fiscal Year 2026

Description	Total Capitalized Costs
Power Forward Electrical Distribution System Upgrade	$ 20,842,136
University Towers Residence Hall Renovation	32,457,071
Page Hall Mechanical & Electrical Upgrade	13,276,675
Wood Residence Hall HVAC Upgrade	9,010,825
Don Ellis Building Renovation	3,606,804

Several large capital projects were completed during fiscal year 2026. This included the completion of the Power Forward Electrical Distribution System Upgrade, which upgraded the electric distribution system on Central Campus and North Campus. The project installed new duct bank, conduit, cables and switches that will mitigate future unplanned outages. To improve reliability of electricity service on Central and North campuses, this project was prioritized and funded by the University. This long-term project began in 2018 and was completed during fiscal year 2026. Construction was coordinated with building occupants to minimize disruption to the campus. The project will organize the system to reduce operational risk, enhance reliability, improve safety, and position the campus for future growth.

Also, during the fiscal year, the University Towers renovation was completed to accommodate a growing student body and provide housing to satisfy the requirement for first-year students to live on campus. The structural and facilities updates included upgraded HVAC, new fire alarm systems, and ADA-accessible entryway, to bring the facility up to university safety and quality standards.

NC State upgraded Page Hall, Wood Residence Hall, and the Don Ellis Building to modernize aging infrastructure, improve operational reliability, and enhance occupant safety and comfort across administrative, residential, and operational facilities. These updates focused on replacing outdated electrical and HVAC systems, correcting accessibility and building code deficiencies, and providing refreshed, modern spaces for students, staff, and university operations.

Table 7 – Major Additions to Machinery and Equipment During Fiscal Year 2026

Description	Total Capitalized Costs	Category Types
Scientific and Research Equipment	$ 8,246,009	Microscopes, Research Lab Equipment, and Veterinary Equipment
Computers, Other Information Technology (IT) Equipment	10,380,616	Computers, Servers, Scanners, Copiers, and Other IT Hardware
Vehicles	1,004,077	Trucks, Vans, and Light Utility Vehicles

During the fiscal year, NC State invested in this equipment to expand its research capabilities, modernize campus IT infrastructure, and maintain daily campus operations.

Table 8 – Long-Term Debt Changes and Bond Ratings

Type	2026	2025	Changes	% Change	Rating Agency	Rating	Outlook
Revenue Bonds	$516,240,000	$537,890,000	$ (21,650,000)	(4.02%)	Moody's/S&P	Aa1/AA	Stable
Bonds from Direct Placements	14,077,685	17,436,102	(3,358,417)	(19.26%)	NA	NA	NA
Unamortized Premiums	20,999,983	23,033,843	(2,033,860)	(8.83%)	NA	NA	NA
Notes from Direct Borrowings	18,591,753	26,338,875	(7,747,122)	(29.41%)	NA	NA	NA
Total	$569,909,421	$604,698,820	$ (34,789,399)	(5.75%)			

As shown in Table 8, the University decreased its long-term debt by $34.8 million or 5.75 percent during fiscal year 2026 compared to 2025. The decrease was due to the regular principal payments.

The University issues bonds on an as-needed basis for those projects that have been designated and given authority through the capital budgeting process. The timing and structure of a bond issue is determined based on several variables such as the timing of cash needs, current market rates, and overall mix of University debt. After the bonds are issued, there is ongoing oversight of proceeds distribution, arbitrage rebate calculation, covenant compliance, and repayment activities. The debt portfolio is continually reviewed for possible cost savings using repayment, refunding or other activities.

Currently Known Facts, Decisions, or Conditions

The University is aware of the following developments that are expected to affect its financial position in future periods and that were therefore considered in preparing the subsequent year's budget: enactment of the State's fiscal year 2026-27 budget, a legislative salary increase and one-time bonus for eligible employees, enrollment-based state funding, new state capital appropriations, a planned self-liquidating housing project, and the addition and renewal of federally sponsored research and programs.

Enactment of the State Fiscal Year 2026-27 Budget

On July 2, 2026, the North Carolina General Assembly gave final approval to the State's fiscal year 2026-27 budget (Senate Bill 257, Session Law 2026-41), which was subsequently signed into law. Because the University's prior-year state appropriation had been based on continuing funding levels, the newly enacted budget changes several of the funding levels and program allocations available to the University beginning July 1, 2026, as described below.

Legislative Salary Increase and One-Time Bonus

The enacted budget provides a 3 percent legislative salary increase, effective July 1, 2026, for eligible permanent employees (13 percent for sworn law enforcement personnel), along with a one-time bonus of $1,750 for eligible employees earning $65,000 or less and $1,000 for those earning more. The salary increase was reflected beginning with July 2026 payroll; the one-time bonus was paid in September 2026. State funding to support both actions is expected to be allocated to the University in October 2026. These actions will increase personnel services expenses in fiscal year 2026-27, offset by a corresponding increase in state appropriation revenue. Institutional trust funds will incur approximately $12.5 million in additional personnel services expense related to the salary increase and one-time bonus.

Enrollment-Based State Funding

The enacted budget provides $21 million in recurring funding and $14 million in nonrecurring funding to support the University's recent enrollment growth. Continued enrollment increases are expected to affect the level of state support recognized in future periods.

Enrollment growth is a key driver of planned spending, including the University's ongoing multi-year expansion of the College of Engineering, which is targeted to add 4,000 students upon completion. The enacted budget provides $5 million in recurring funds to support this expansion.

New State Capital Appropriations

The enacted budget also provides new or additional capital funding for several University projects, including the demolition and reconstruction of the Education Building ($185 million total authorization), the College of Veterinary Medicine Large Animal Hospital ($70 million, toward a $120 million project with a $50 million University match), the Engineering Classroom Building ($20 million to accelerate a previously authorized $200 million project), planning for a new advanced nuclear research and test reactor ($13 million), planning for a new Poole College of Management building ($5 million), and renovations to Dabney Hall, Polk Hall, and Mann Hall ($48.0 million, $56.7 million, and $10.0 million, respectively, for Phase 2 of each project). These authorizations will result in significant additions to construction in progress and capital assets, together with corresponding increases in state capital appropriation revenue, as the related projects progress.

Planned Self-Liquidating Housing Project

In June 2026, the University received approval from the North Carolina General Assembly for a $295 million self-liquidating capital project for Cates West Development, which is a multi-phase housing and dining initiative.

Addition and Renewal of Federally Sponsored Research Programs

The University has broadened its externally sponsored research activities through several new and renewed federal awards:

- FutureTEX — selection to lead a 10-year, $480 million-ceiling Department of War initiative to modernize domestic defense textile manufacturing, with $36 million allocated for the first year.
- STEPS Center — a second five-year, $22.5 million award, by National Science Foundation supporting phosphorus sustainability research.
- Consortium for Reactor Safety Training (CRεST) — $18.3 million award from the Department of Energy's (DOE) Office of Nuclear Energy to create CRεST, part of the department's nationwide efforts to grow the future nuclear energy workforce.
- SPEED National Test Bed — a four-year, $20 million National Science Foundation award to leverage advances in artificial intelligence (AI), robotics, and autonomous labs to accelerate the pace of scientific discovery in chemistry and materials science, in collaboration with the Massachusetts Institute of Technology and the University of North Carolina at Chapel Hill.

Because award amounts, timing, and program phases vary, management cannot presently estimate the aggregate financial effect of these developments with precision but anticipates them collectively to increase federal grant and contract revenue and related research and program expenditures in future periods.



Financial Statements

North Carolina State University
Statement of Net Position
Proprietary Fund
June 30, 2026

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 377,664,297
Restricted Cash and Cash Equivalents	189,583,185
Receivables, Net (Note 5)	139,992,343
Due from Primary Government	22,563,208
Due from State of North Carolina Component Units	4,151,522
Inventories	6,671,797
Notes Receivable, Net (Note 5)	919,543
Leases Receivable	2,416,716
Total Current Assets	743,962,611
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	176,454,635
Endowment Investments	823,773,005
Other Investments	277,612,293
Notes Receivable, Net (Note 5)	283,405
Leases Receivable	37,602,525
Net Other Postemployment Benefits Asset	2,713,340
Capital Assets - Nondepreciable (Note 6)	414,696,870
Capital Assets - Depreciable, Net (Note 6)	2,187,964,943
Total Noncurrent Assets	3,921,101,016
Total Assets	4,665,063,627
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Asset Retirement Obligations	14,845,459
Deferred Outflows Related to Pensions (Note 14)	112,592,144
Deferred Outflows Related to Other Postemployment Benefits (Note 15)	321,660,574
Total Deferred Outflows of Resources	449,098,177
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	90,351,176
Due to Primary Government	14,897,338
Due to State of North Carolina Component Units	946,042
Unearned Revenue	103,987,354
Interest Payable	6,528,684
Long-Term Liabilities - Current Portion (Note 9)	75,362,305
Total Current Liabilities	292,072,899
Noncurrent Liabilities:	
Accounts Payable	4,084,995
Deposits Payable	6,493,236
Funds Held for Others	3,854,850
Unearned Revenue	59,779,543
Long-Term Liabilities, Net (Note 9)	1,865,943,525
Total Noncurrent Liabilities	1,940,156,149
Total Liabilities	2,232,229,048

North Carolina State University
Statement of Net Position
Proprietary Fund
June 30, 2026

DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions (Note 14)	8,749,401
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	461,334,595
Deferred Inflows for Leases	38,240,307
Total Deferred Inflows of Resources	508,324,303
NET POSITION	
Net Investment in Capital Assets	1,885,616,893
Restricted:	
Nonexpendable:	
Scholarships and Fellowships	15,682,300
Endowed Professorships	206,513,850
Departmental Uses	12,250,014
Student Loans	1,299,152
Total Restricted-Nonexpendable Net Position	235,745,316
Expendable:	
Scholarships and Fellowships	78,758,829
Research	42,323,014
Endowed Professorships	340,558,022
Departmental Uses	185,836,324
Student Loans	842,419
Capital Projects	97,495,062
Debt Service	10,685,689
Total Restricted-Expendable Net Position	756,499,359
Unrestricted	(504,253,115)
Total Net Position	$ 2,373,608,453

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

North Carolina State University
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2026

Exhibit A-2

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 12)	$ 366,606,248
Student Financial Aid	63,237,555
Federal Appropriations	23,801,047
Federal Grants and Contracts	276,648,085
State and Local Grants and Contracts	57,682,805
Nongovernmental Grants and Contracts	123,189,356
Sales and Services, Net (Note 12)	408,564,949
Other Operating Revenues, Net (Note 12)	22,203,228
Total Operating Revenues	1,341,933,273
OPERATING EXPENSES	
Salaries and Benefits	1,238,357,615
Supplies and Services	576,877,384
Scholarships and Fellowships	58,161,681
Utilities	45,673,076
Depreciation/Amortization	169,555,854
Total Operating Expenses	2,088,625,610
Operating Loss	(746,692,337)
NONCAPITAL SUBSIDIES	
State Appropriations	684,376,819
Noncapital Contributions	133,924,017
Total Noncapital Subsidies	818,300,836
Operating Loss and Noncapital Subsidies	71,608,499
OTHER NONOPERATING REVENUES (EXPENSES)	
Investment Income (Net of Investment Expense of $11,032,646)	227,078,974
Interest and Fees on Debt	(21,420,484)
Interest Earnings on Loans	56,113
Resources from the Disposal of Capital Assets	2,217,748
Lease Interest Revenue	3,172,039
Capital Contributions	97,999,532
Additions to Endowments	7,942,941
Net Other Nonoperating Revenues	317,046,863
Increase in Net Position	388,655,362
NET POSITION	
Net Position - July 1, 2025	1,984,953,091
Net Position - June 30, 2026	$ 2,373,608,453

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

North Carolina State University
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 1,244,407,838
Payments to Employees and Fringe Benefits	(1,343,069,364)
Payments to Vendors and Suppliers	(600,224,545)
Payments for Scholarships and Fellowships	(58,161,681)
Loans Issued	(26,907)
Collection of Loans	463,251
Student Deposits Received	79,677,380
Student Deposits Returned	(79,174,346)
William D. Ford Direct Lending Receipts	113,254,386
William D. Ford Direct Lending Disbursements	(112,301,976)
Interest Earned on Loans	56,515
Other Receipts	19,605,230
Net Cash Used by Operating Activities	(735,494,219)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	684,376,819
Student Financial Aid	63,237,555
Noncapital Contributions	129,239,398
Additions to Endowments	7,942,941
Cash Provided by Noncapital Financing Activities	884,796,713
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
Capital Contributions	97,619,668
Proceeds from Sale of Capital Assets	2,990,950
Proceeds from Insurance on Capital Assets	198,235
Proceeds from Lease Arrangements	6,360,622
Acquisition and Construction of Capital Assets	(222,680,030)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(53,672,502)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(23,373,757)
Net Cash Used by Capital Financing and Related Financing Activities	(192,556,814)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	392,364,064
Investment Income	46,810,881
Purchase of Investments and Related Fees	(399,681,613)
Net Cash Provided by Investing Activities	39,493,332
Net Decrease in Cash and Cash Equivalents	(3,760,988)
Cash and Cash Equivalents - July 1, 2025	747,463,105
Cash and Cash Equivalents - June 30, 2026	$ 743,702,117

North Carolina State University
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2026

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (746,692,337)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Student Financial Aid	(63,237,555)
Depreciation/Amortization Expense	169,555,854
Lease Income (Amortized Deferred Inflows of Resources)	(3,372,958)
Other Nonoperating Income	2,364,284
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(6,586,992)
Inventories	2,052,297
Notes Receivable, Net	445,348
Net Other Postemployment Benefits Asset	(1,369,627)
Deferred Outflows Related to Asset Retirement Obligations	(213,321)
Deferred Outflows Related to Pensions	60,198,776
Deferred Outflows Related to Other Postemployment Benefits	104,877,542
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(2,497,059)
Due to Primary Government	134,267
Due to State of North Carolina Component Units	70,423
Funds Held for Others	503,034
Unearned Revenue	(4,173,848)
Net Pension Liability	(69,190,067)
Net Other Postemployment Benefits Liability	(464,867,304)
Pollution Remediation Payable	21,158,391
Asset Retirement Obligation	614,550
Compensated Absences	(2,779,329)
Deposits Payable	(1,873,142)
Workers' Compensation Liability	969,591
Deferred Inflows Related to Pensions	5,778,806
Deferred Inflows Related to Other Postemployment Benefits	262,636,157
Net Cash Used by Operating Activities	$ (735,494,219)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 37,250,173
Assets Acquired through a Gift	379,864
Change in Fair Value of Investments	179,978,431
Amortization of Bond Premiums/Discounts	(2,033,860)
Increase in Receivables Related to Noncapital Subsidies/Other Nonoperating Revenues	4,962,955
Decrease in Liabilities Due to Early Termination of Subscriptions	(18,715)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(11,326)

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

North Carolina State University
Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2026

Exhibit B-1

	External Investment Pool Funds	Other Funds
ASSETS		
Cash and Cash Equivalents	$ -	$ 66,265,282
Investments:		
Intermediate Investments	28,274,522	-
Long-Term Investments	772,601,644	-
Total Assets	800,876,166	66,265,282
DEFERRED OUTFLOWS OF RESOURCES	-	-
LIABILITIES		
Accounts Payable and Accrued Liabilities	-	82,171
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Restricted for:		
Pool Participants	800,876,166	-
Individuals/Affiliated Organizations	-	66,183,111
Total Fiduciary Net Position	$ 800,876,166	$ 66,183,111

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

North Carolina State University
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Fiscal Year Ended June 30, 2026

Exhibit B-2

	External Investment Pool Funds	Other Funds
ADDITIONS		
Contributions:		
Pool Participants	$ 33,161,237	$ -
Individuals/Affiliated Organizations	-	81,947,664
Total Contributions	33,161,237	81,947,664
Investment Activity:		
Investment Income	178,796,638	2,144,856
Total Additions	211,957,875	84,092,520
DEDUCTIONS		
Withdrawals and Distributions	28,906,802	74,720,019
Increase in Fiduciary Net Position	183,051,073	9,372,501
NET POSITION		
Net Position - July 1, 2025	617,825,093	56,810,610
Net Position - June 30, 2026	$ 800,876,166	$ 66,183,111

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

North Carolina State University Foundations
Statement of Financial Position
June 30, 2026

Exhibit C-1

	North Carolina State University Foundation, Inc.	The North Carolina Agricultural Foundation, Inc.
ASSETS		
Cash and Cash Equivalents	$ 71,765,281	$ 43,711,297
Intermediate Investments	24,722,480	29,824,912
Long-Term Investments	997,658,309	240,589,177
Assets Held in Charitable Trusts and Annuities	6,975,979	-
Donated Property and Land	764,350	31,800,151
Receivables, Net	4,065	72,290
Pledges Receivable, Net	28,020,839	3,707,404
Prepaid Expenses	3,508	-
Property and Equipment, Net	21,003	38,464
Other Assets	247,169	26,251
Total Assets	$ 1,130,182,983	$ 349,769,946
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 402,475	$ 234,780
Due to Others	298,076	-
Life Income Funds Payable	7,316,710	5,513,674
Deferred Revenue	-	8,150,316
Funds Held for Others	26,775	272,190
Total Liabilities	8,044,036	14,170,960
NET ASSETS		
Without Donor Restrictions	29,945,909	15,456,929
With Donor Restrictions	1,092,193,038	320,142,057
Total Net Assets	1,122,138,947	335,598,986
Total Liabilities and Net Assets	$ 1,130,182,983	$ 349,769,946

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

North Carolina State University Foundations
Statement of Activities
For the Fiscal Year Ended June 30, 2026

Exhibit C-2

	North Carolina State University Foundation, Inc.	The North Carolina Agricultural Foundation, Inc.
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Gains:		
Contributions	$ 170	$ 152,003
Donated Services and Salaries	1,082,000	2,098,000
Disposal of Other Assets	-	(7,268)
Net Investment Income	10,228,452	4,844,055
Other Income	461,103	29,721
Net Assets Released from Restrictions: Program or Time Restrictions	50,166,985	19,601,447
Total Revenues and Gains Without Donor Restrictions	61,938,710	26,717,958
Expenses:		
Scholarships and Fellowships	22,685,289	4,165,673
University Support	17,453,603	15,063,369
Capital Support	3,674,216	76,252
Administrative	233,235	287,000
Fund Raising	11,592,995	2,917,414
Other	1,042,511	94,491
Total Expenses	56,681,849	22,604,199
Increase in Net Assets Without Donor Restrictions	5,256,861	4,113,759
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	33,738,235	14,342,399
Grant Revenue	-	3,652,059
Change in Pledges Receivable	4,598,308	422,671
Donated Property	753,000	215,000
Disposal of Other Assets	-	(176,789)
Net Investment Income	216,188,015	52,823,346
Royalties	-	250,000
Change in Value of Split Interest Agreements and Trusts	442,940	(618,486)
Other Income	9,790,881	1,131,807
Net Assets Released from Restrictions: Program or Time Restrictions	(50,166,985)	(19,601,447)
Increase in Net Assets With Donor Restrictions	215,344,394	52,440,560
Increase in Net Assets	220,601,255	56,554,319
Net Assets at Beginning of Year	901,537,692	279,044,667
Net Assets at End of Year	$ 1,122,138,947	$ 335,598,986

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

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are 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 Units - Although legally separate, the NC State Investment Fund, Inc. (Investment Fund) and the NC State University Partnership Corporation (Corporation), component units of the University, are reported as if they were part of the University.

The Investment Fund is governed by a board consisting of nine ex officio appointed members and nine elected members. The Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. The Investment Fund is a governmental external investment pool. Because the Fund's Board consists of University employees and directors appointed by the members of the North Carolina State University Board of Trustees and the Investment Fund's primary purpose is to benefit North Carolina State University, its financial statements have been blended with those of the University.

The Corporation is governed by a four-member Board of Directors appointed based on their positions held with North Carolina State University. Additional members of the board may be appointed by the Chancellor of North Carolina State University. The Corporation's purpose is to support and benefit the University with the aim of creating new knowledge and improving the lives of the people of North Carolina. The Corporation formed NC State University Centennial Development, LLC on January 25, 2002 to construct, own and operate a golf course located on the North Carolina State University Centennial Campus. In addition, the Corporation formed NC State Upfit, LLC on October 27, 2006 to develop, construct, own, finance, manage and otherwise upfit facilities and other infrastructure on Centennial Campus. Also, the Corporation formed NC State CBC Land I, LLC on June 1, 2007 to acquire, develop, own, lease, hold, manage, sell, and otherwise exercise all rights of ownership of land and flex lab facilities on Centennial Biomedical Campus. Additionally, the Corporation

formed NC State American Home, LLC on August 8, 2007 and changed its name to Bell Tower Holdings LLC on December 14, 2009. The purposes of Bell Tower Holdings LLC are to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all rights of ownership of real property and enter into any related agreements for assisting with the acquisition, development, financing, construction, management and operation of real property. On March 31, 2008, the Corporation formed NC State CC Holdings I, LLC to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all rights of ownership of land and facilities on Centennial Campus. Leaders in Innovation and Nonwovens Commercialization, LLC (LINC), was established on July 9, 2012 to foster economic development and creation of new knowledge by facilitating commercialization of technologies developed at the Nonwovens Institute at NC State University. On September 27, 2016, the Corporation established the Wolfpack Investor Network, LLC (WIN) to connect the NC State alumni network with the NC State entrepreneurial community. C2I, LLC was formed on December 21, 2018 to act as an intermediary between the University and private parties in connection with certain real estate operations, execute innovation space management agreements, and procure resources for enhanced innovation activation and programming. On February 19, 2020, NC State Research, LLC was formed to manage, operate, host and oversee research related operations, units, activities and initiatives of North Carolina State University faculty, departments, centers and institutes, as well as federal agencies. Because the Corporation's Board consists of University employees and members appointed by the Chancellor and its sole purpose is to support and benefit the University, the Corporation and the LLCs are considered part of the University for financial reporting purposes.

Separate financial statements for the Investment Fund and for the Corporation and the LLCs may be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

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

Discretely Presented Component Units - The North Carolina State University Foundation, Inc. (Foundation) and The North Carolina Agricultural Foundation, Inc. (Agricultural Foundation) are legally separate nonprofit corporations and are reported as discretely presented component units based on the nature and significance of their relationship to the University.

The Foundation and Agricultural Foundation are legally separate, tax-exempt component units of the University. These entities act primarily as fundraising organizations to supplement the resources that are available to the University in support of its programs. Separate Boards of Directors govern these entities independent of the University's Board of Trustees. Although the University does not control the timing or amount of receipts from these entities, the majority of resources, or income thereon that these entities hold and invest are restricted to the activities of the University by the donors. Because these restricted resources held by these entities can only be used by, or for the benefit of the University, these entities are considered component units of the University and are reported in separate financial statements because of the difference in their reporting model, as described below.

The Foundation and Agricultural Foundation are private nonprofit organizations that report their 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 (GASB) revenue recognition criteria and presentation features. No modifications have been made to their financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2026, the Foundation distributed $45,430,112 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

During the year ended June 30, 2026, the Agricultural Foundation distributed $17,213,255 to the University for both restricted and unrestricted purposes. Complete financial statements for the Agricultural Foundation can be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

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

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

Fiduciary Funds - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of individuals, affiliated organizations, and other external parties. Custodial funds include the external portion of the NC State Investment Fund as well as resources held on behalf of individuals and other external organizations.

For the fiscal year 2026, the University implemented GASB Statement No. 103, *Financial Reporting Model Improvements*. This Statement amends the existing financial reporting model to enhance the relevance, consistency, and comparability of the financial statements. The University has modified its Statement of Revenues, Expenses, and Changes in Net Position to define and separately report noncapital subsidies immediately following operating income/loss.

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 are those in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange. In accordance with GASB Statement No. 103, *Financial Reporting Model Improvements,* nonexchange transactions that directly or indirectly keep the University's student fees and charges lower than they would be otherwise

are classified as noncapital subsidies. Noncapital subsidies, such as state appropriations and donations for scholarships, are reported separately from other nonoperating activities immediately following operating income (loss) to establish a combined "Operating Income (Loss) and Noncapital Subsidies" subtotal. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

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

Domestic stocks are reported at cost since there are no readily determinable fair values. These investments consist of technology transfer stocks and the Wolfpack Investor Network's Seed Capital Endowment Fund stocks.

The Kamphoefner art collection, a gift to the Endowment Fund in 1979, is recorded at estimated fair value as of the date of donation. Mineral rights were a gift to the Endowment Fund in 1987. The most recent sale from 2016 was used to adjust the value per acre.

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. Exceptions are the bookstore, which uses the retail inventory method, and the physical plant, which uses the moving weighted average method.

H. **Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to

July 1, 2015, are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The University capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated computer software which is capitalized when the value or cost is $1,000,000 or greater and other intangible assets which are capitalized when the value or cost is $100,000 or greater. 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	10-50 years
Machinery and Equipment	4-22 years
General Infrastructure	10-75 years
Computer Software	2-15 years

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

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of $1,000,000 or greater and an estimated useful life of more than one year. When remaining lease payments or receipts are below this threshold, lease transactions are recognized as revenues or expenses, unless required for tracking purposes by current University business practices.

Subscription liabilities are capitalized as a right-to-use asset when management determines that costs should be tracked for financial reporting purposes and the estimated useful life is more than one year.

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

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

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

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

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

Revenue bonds are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. Losses on refunding and issuance costs on bonds are not material to the accompanying financial statements and are expensed in the year 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 2025 *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 2025 *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 North Carolina Human Resources Act, vacation is earned through the annual or personal leave programs established by the University of North Carolina Board of Governors. Leave is earned monthly and is subject to a maximum accumulated unused amount as of the end of each calendar year. The maximum amounts and the ability to convert amounts over the maximum to sick leave vary based on the program.

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

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

Other leave programs include unrestricted sabbatical leave, compensatory leave-off, parental leave, military leave, and civil leave.

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

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

Proprietary Fund

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

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

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

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

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

Fiduciary Funds

Restricted Net Position - Fiduciary net position includes resources held in a custodial capacity for external pool participants in the University's External Investment Fund and for other organizations; these resources are not available for alternative use by the University.

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. In accordance with GASB Statement No. 103, *Financial Reporting Model Improvements*, student financial assistance grants, such as Pell Grants, and other federal and state need-based grants are recorded as operating revenue 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 University utilizes the National Association of College and University Business Officers (NACUBO) guidelines for calculating the allocation of the scholarship discounts to tuition and fees revenues and auxiliary service revenues, which is based on an analysis of individual student account charges and financial aid payments from the student management information system.

P. **Revenue and Expense Recognition** - The University distinguishes operating revenues and expenses from noncapital subsidies, and other nonoperating revenues and expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. As defined by GASB 103, *Financial Reporting Model Improvements*, nonoperating revenues and expenses include: (1) subsidies received and provided, (2) contributions to permanent and

term endowments, (3) revenues (expenses) related to financing, (4) resources (loss) from the disposal of capital assets, and (5) investment income and expenses.

Subsidies are defined as follows: (a) resources received from another party or fund (1) for which the proprietary fund does not provide goods and services to the other party or fund and (2) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise; and (b) resources provided to another party or fund (1) for which the other party or fund does not provide goods and services to the proprietary fund and (2) that are recoverable through the proprietary fund's current or future pricing policies.

All revenues and expenses that do not meet the definition of nonoperating revenues and expenses are reported as operating revenues and expenses. Student financial aid includes Pell Grants and state need-based scholarships provided to eligible students and is recognized as operating revenue.

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, the Creamery, Telecommunications, Physical Plant, and Motor Pool. 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 N.C.G.S. §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 N.C.G.S. §116-36.1(h), 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. Per N.C.G.S. § 116-36.2(b), special funds include moneys for intercollegiate athletics and funds held directly by the University as a fiscal agent for individual students, faculty, staff members, and organizations.

At June 30, 2026, the amount shown on the Statement of Net Position as cash and cash equivalents includes $736,599,892 for proprietary fund and $66,265,282 for the fiduciary funds, 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 2.2 years as of June 30, 2026. 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, 2026 was $10,114. The carrying amount of the University's deposits not with the State Treasurer, was $7,092,111, and the bank balance was $2,456,036. 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, 2026, the University's bank balance exposed to custodial credit risk was $2,130,852.

B. **Investments -** The University is authorized by the University of North Carolina Board of Governors pursuant to N.C.G.S. §116.36.1 and §116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

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

N.C.G.S. §147-69.1(c), applicable to the State's General Fund, and N.C.G.S. §147-69.2(b), applicable to institutional trust funds deposited with the State Treasurer pursuant to N.C.G.S. § 116-36.1, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain government-sponsored banks; 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; 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.

N.C.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 Endowment Fund are subject to and restricted by Chapter 36E of the North Carolina General Statutes, otherwise known as the 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.

Investment Fund - The NC State Investment Fund, Inc., (Investment Fund) is a governmental not-for-profit organization established in 1998 and began operations in April 1999. The Fund is a separately incorporated external investment pool established to provide pooled investment management for the University, the Endowment Fund of North Carolina State University (Endowment Fund), and other University-associated entities. The Endowment Fund, The North Carolina Agricultural Foundation, Inc., and the North Carolina State University Foundation, Inc. represent the Investment Fund's internal participants. The North Carolina Agricultural Foundation, Inc. and the North Carolina State University Foundation, Inc. are discretely presented component units in the financial statements. Other affiliated organizations not included in the University's reporting entity represent the Investment Fund's external participants. The external portion of the Investment Fund is presented in the accompanying fiduciary fund financial statements. The Investment Fund includes the Long-Term Investment Pool (LTIP) and the Intermediate Term Fund (ITF).

Oversight of the Investment Fund is provided by its Members Board and Investment Committee. The Members Board provides governance and oversight to the Fund. The Investment Committee's primary role is the investment program, including development of the Investment Policy in a prudent manner with regard to preserving principal while providing reasonable returns. Bank of New York Mellon is the third-party administrator for the Investment Fund and provides the University with monthly statements defining activity and fair value information, which is then allocated among the fund's participants. Each participant holds Master Trust Units of the Investment Fund. The unit price fluctuates based on the investment experience of the investment pool. There are no involuntary participants in the Investment Fund. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Investment Fund's investments. The annual financial report for the Investment Fund may be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695 or email group-ncsif@ncsu.edu. An electronic version of this report is available at https://investments.ofa.ncsu.edu/funds-overview/long-term-investment-pool/ or by calling (919) 513-7149.

The following tables in this section present the Investment Fund in total, including both proprietary and fiduciary funds. See Note 2C below for further details regarding investments by fund type within the Investment Fund.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2026, for the Investment Fund.

Investment Fund

		Investment Maturities (in Years)		
	Amount	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
U.S. Treasuries	$ 31,775,891	$ -	$ 24,826,637	$ 6,949,254
U.S. Agencies	6,258,826	649,469	1,171,182	4,438,175
Collective Investment Funds	95,553,793	81,827,558	-	13,726,235
Debt Mutual Funds	359,697,368	-	176,122,898	183,574,470
Money Market Mutual Funds	824,844	824,844	-	-
Corporate Bonds	49,647,298	3,903,135	41,760,564	3,983,599
Fixed Income ETFs	61,789,135	-	40,757,661	21,031,474
Total Debt Securities	605,547,155	$ 87,205,006	$ 284,638,942	$ 233,703,207
Other Securities				
Equity ETFs	323,253,564			
UNC Investment Fund	1,840,388,865			
Hedge Funds	162,909,725			
Private Equity Limited Partnerships	175,940,647			
Total Investment Fund	$3,108,039,956			

At June 30, 2026, investments in the Investment Fund had the following credit quality distribution for securities with credit exposure (based on S&P rating):

	Amount	AAA	AA	A	Less Than Investment Grade	Unrated
Debt Securties						
U.S. Agencies	$ 6,258,826	$ -	6,258,826	$ -	$ -	$ -
Collective Investment Funds	95,553,793	-	13,726,235	-	-	81,827,558
Debt Mutual Funds	359,697,368	-	82,451,015	203,929,557	-	73,316,796
Money Market Mutual Funds	824,844	824,844	-	-	-	-
Corporate Bonds	49,647,298	15,281,630	8,794,739	25,570,929	-	-
Fixed Income ETFs	61,789,135	-	-	21,031,474	40,757,661	-
Totals	$ 573,771,264	$ 16,106,474	$ 111,230,815	$ 250,531,960	$ 40,757,661	$ 155,144,354

UNC Investment Fund, LLC - At June 30, 2026, the University's investments include $1,840,388,865, 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, 2026, for the University's non-pooled investments.

Non-Pooled Investments

Investment Type	Amount
Domestic Stocks	$ 375,103
Collections and Mineral Rights	65,133
Total Non-Pooled Investments	$ 440,236

Total Investments - The following table presents the total investments at June 30, 2026:

Investment Type	Amount
Debt Securities	
U.S. Treasuries	$ 31,775,891
U.S. Agencies	6,258,826
Collective Investment Funds	95,553,793
Debt Mutual Funds	359,697,368
Money Market Mutual Funds	824,844
Corporate Bonds	49,647,298
Fixed Income ETFs	61,789,135
Other Securities	
Equity ETFs	323,253,564
UNC Investment Fund	1,840,388,865
Hedge Funds	162,909,725
Private Equity Limited Partnerships	175,940,647
Domestic Stocks	375,103
Collections and Mineral Rights	65,133
Total Investments	$ 3,108,480,192

Total investments include $1,206,218,728 held in the Investment Fund for the North Carolina State University Foundation, Inc. and The North Carolina Agricultural Foundation, Inc. This amount is excluded from the University prepared financial statements and included in the accompanying component unit financial statements.

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the University as of June 30, 2026, is as follows:

	Proprietary Fund	Fiduciary Fund	Total
Cash on Hand	$ 10,114	$ -	$ 10,114
Amount of Deposits with Private Financial Institutions	7,092,111	-	7,092,111
Deposits in the Short-Term Investment Fund	736,599,892	66,265,282	802,865,174
Investment Fund	1,100,945,062	800,876,166	1,901,821,228
Non-Pooled Investments	440,236	-	440,236
Total Deposits and Investments	$ 1,845,087,415	$ 867,141,448	$ 2,712,228,863
Deposits			
Current:			
Cash and Cash Equivalents	$ 377,664,297	$ 66,265,282	$ 443,929,579
Restricted Cash and Cash Equivalents	189,583,185	-	189,583,185
Noncurrent:			
Restricted Cash and Cash Equivalents	176,454,635	-	176,454,635
Total Deposits	743,702,117	66,265,282	809,967,399
Investments			
Noncurrent:			
Endowment Investments	823,773,005	-	823,773,005
Other Long-Term Investments	277,612,293	-	277,612,293
Intermediate Investments	-	28,274,522	28,274,522
Long-Term Investments	-	772,601,644	772,601,644
Total Investments	1,101,385,298	800,876,166	1,902,261,464
Total Deposits and Investments	$ 1,845,087,415	$ 867,141,448	$ 2,712,228,863

Note 3 - Fair Value Measurements

To the extent available, the University's investments are recorded at fair value as of June 30, 2026. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following table summarizes the University's proprietary and fiduciary fund investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2026:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value				
Debt and Other Securities				
U.S. Treasuries	$ 31,775,891	$ 31,775,891	$ -	$ -
U.S. Agencies	6,258,826	-	6,258,826	-
Collective Investment Funds	95,553,793	95,553,793	-	-
Debt Mutual Funds	359,697,368	359,697,368	-	-
Money Market Mutual Funds	824,844	824,844	-	-
Corporate Bonds	49,647,298	-	49,647,298	-
Equity ETFs	323,253,564	323,253,564	-	-
Fixed Income ETFs	61,789,135	61,789,135	-	-
Total Investments by Fair Value	928,800,719	$ 872,894,595	$ 55,906,124	$ -
Investments Measured at Net Asset Value (NAV)				
Hedge Funds	162,909,725			
Private Equity Limited Partnerships	175,940,647			
Total Investments Measured at NAV	338,850,372			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	802,865,174			
UNC Investment Fund	1,840,388,865			
Total Investments as a Position in an External Investment Pool	2,643,254,039			
Total Investments Measured at Fair Value	$ 3,910,905,130			

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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.

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2026:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds	$ 162,909,725	$ -	See note below	See note below
Private equity limited partnerships	175,940,647	246,048,471	N/A	N/A
Total Investments Measured at NAV	$ 338,850,372	$ 246,048,471		

Hedge Funds - Hedge funds are pooled, professionally managed partnerships that pursue both long and short equity primarily in U.S. common stocks. The managers seek to invest in undervalued companies and/or obtain superior risk-adjusted rates of returns through investment across a variety of asset classes. Interests in hedge funds are generally carried at the net asset value (NAV) reported by each external manager as of the valuation date.

The policies surrounding redemptions vary among the hedge fund investments, with each hedge fund requiring between 30 to 90 days' written notice for redemption. Redemptions occur on a quarterly basis, subject to limitations on the percentage of shares that can be redeemed upon the first quarterly redemption date. Such limits range from 12.5% to 25% of shares held. Each hedge fund allows for full redemptions across four to eight consecutive quarters, up to an applicable percentage each quarter.

Private Equity Limited Partnerships - Private equities include venture capital partnerships, buy-outs, and international funds. The valuation of the underlying private companies requires significant judgment and interpretation by the general partners of the underlying investment partnerships due to the absence of quoted market values, inherent lack of liquidity, and the long-term nature of such investments. Private companies are initially valued based upon transaction price, with subsequent adjustments to values which reflect the consideration of available market data, including primarily observations of the trading multiples of public companies considered comparable to the private companies being valued. Valuations are also adjusted to give consideration to the financial condition and operating results specific to the issuer, the lack of liquidity inherent in a non-public investment, credit markets, and the fact that comparable public companies are not identical to the companies being valued.

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 Chapter 36E of the North Carolina General Statutes, otherwise known as the Uniform Prudent Management of Institutional Funds Act (UPMIFA), 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, most 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 pooled endowment funds are determined by applying 4% (the Board approved spending rate) to the average market value of the long-term investment pool (for a twenty quarter period), divided by the number of investment units in the pool to determine the "average spending amount" per unit of investment. The individual endowment fund payout or spending budget is then determined by applying the "average spending amount" to the number of investment units held by the individual endowment fund. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted and unrestricted, expendable net position endowment balances to make up the difference. At June 30, 2026, net appreciation of $625,013,480 was available to be spent, of which $585,100,406 was restricted to specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

Note 5 - Receivables

Receivables for the proprietary fund at June 30, 2026, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 3,938,118	$ 1,398,881	$ 2,539,237
Student Sponsors	1,096,187	-	1,096,187
Accounts	30,565,742	3,380,205	27,185,537
Intergovernmental	67,777,682	-	67,777,682
Grant Sponsors	41,376,593	-	41,376,593
Interest on Loans	92,355	75,248	17,107
Total Current Receivables	$ 144,846,677	$ 4,854,334	$ 139,992,343
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 500,625	$ 2,171	$ 498,454
Institutional Student Loan Programs	421,089	-	421,089
Total Notes Receivable - Current	$ 921,714	$ 2,171	$ 919,543
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 694,903	$ 411,498	$ 283,405

Note 6 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2026, is presented as follows:

	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2026
Capital Assets, Nondepreciable:				
Land	$ 93,399,083	$ 940,877	$ 2,155,427	$ 92,184,533
Construction in Progress	256,418,155	180,647,966	115,414,216	321,651,905
Computer Software in Development	831,121	4,302,163	4,272,852	860,432
Total Capital Assets, Nondepreciable	350,648,359	185,891,006	121,842,495	414,696,870
Capital Assets, Depreciable:				
Buildings	2,880,736,334	84,219,390	5,560,826	2,959,394,898
Machinery and Equipment	592,292,437	48,452,278	32,917,584	607,827,131
General Infrastructure	329,474,794	31,194,826	-	360,669,620
Computer Software	56,146,895	4,272,852	-	60,419,747
Right-to-Use Leased Buildings	120,921,980	19,029,404	1,315,007	138,636,377
Right-to-Use Leased Machinery and Equipment	18,397,728	654,886	79,518	18,973,096
Right-to-Use Subscription Assets	17,987,624	6,905,743	402,343	24,491,024
Total Capital Assets, Depreciable	4,015,957,792	194,729,379	40,275,278	4,170,411,893
Less Accumulated Depreciation/Amortization for:				
Buildings	1,267,251,413	88,452,923	5,463,363	1,350,240,973
Machinery and Equipment	353,999,804	43,599,375	31,196,935	366,402,244
General Infrastructure	119,987,153	10,813,425	-	130,800,578
Computer Software	44,690,662	4,355,372	-	49,046,034
Right-to-Use Leased Buildings	47,027,892	13,133,881	1,367,372	58,794,401
Right-to-Use Leased Machinery and Equipment	8,954,914	2,394,683	79,518	11,270,079
Right-to-Use Subscription Assets	9,488,789	6,806,195	402,343	15,892,641
Total Accumulated Depreciation/Amortization	1,851,400,627	169,555,854	38,509,531	1,982,446,950
Total Capital Assets, Depreciable, Net	2,164,557,165	25,173,525	1,765,747	2,187,964,943
Capital Assets, Net	$ 2,515,205,524	$ 211,064,531	$ 123,608,242	$ 2,602,661,813

As of June 30, 2026, the total amount of right-to-use leased assets was $157,609,473 and the related accumulated amortization was $70,064,480.

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2026, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 30,361,210
Accounts Payable - Capital Assets	34,236,257
Accrued Payroll	11,288,429
Contract Retainage	11,045,663
Other	3,419,617
Total Current Accounts Payable and Accrued Liabilities	$ 90,351,176

Note 8 - Short-Term Debt – Commercial Paper Program

The University had available Commercial Paper Program financing for short-term debt credit up to $100,000,000 to finance capital construction projects. As of December 17, 2025, the commercial paper program was terminated. The Commercial Paper program was unused during the year ended June 30, 2026, and has no outstanding balance.

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, 2026, is presented as follows:

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 537,890,000	$ -	$ 21,650,000	$ 516,240,000	$ 23,145,000
Bonds from Direct Placements	17,436,102	-	3,358,417	14,077,685	2,477,845
Plus: Unamortized Premium	23,033,843	-	2,033,860	20,999,983	-
Total Revenue Bonds Payable and Bonds from Direct Placements, Net	578,359,945	-	27,042,277	551,317,668	25,622,845
Notes from Direct Borrowings	26,338,875	-	7,747,122	18,591,753	8,370,524
Total Long-Term Debt	604,698,820	-	34,789,399	569,909,421	33,993,369
Other Long-Term Liabilities					
Pollution Remediation Payable	18,692,170	22,000,000	841,609	39,850,561	16,381,122
Asset Retirement Obligations	17,000,000	614,550	-	17,614,550	-
Lease Liabilities	88,983,307	20,376,453	15,069,006	94,290,754	13,200,597
Subscription (SBITA) Liabilities	6,521,989	6,907,507	5,866,672	7,562,824	4,254,948
Employee Benefits					
Compensated Absences	83,861,175	57,238,655	60,017,985	81,081,845	5,001,499
Net Pension Liability	341,216,241	-	69,190,067	272,026,174	-
Net Other Postemployment Benefits Liability	1,312,370,446	-	464,878,630	847,491,816	-
Workers' Compensation	10,508,294	4,150,959	3,181,368	11,477,885	2,530,770
Total Other Long-Term Liabilities	1,879,153,622	111,288,124	619,045,337	1,371,396,409	41,368,936
Total Long-Term Liabilities, Net	$ 2,483,852,442	$ 111,288,124	$ 653,834,736	$ 1,941,305,830	$ 75,362,305

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 and Bonds from Direct Placements - The University was indebted for revenue bonds payable and bonds from direct placements for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2026
Revenue Bonds Payable					
Adv Refund 2005A / Talley Student Union	2013B	3.825% - 4%	10/01/2041	$ 141,650,000	$ 114,600,000
Refund 2003B and 2015	2018	5%	10/01/2028	87,165,000	26,030,000
Refund 2010B / Carmichael	2020A	2.375% - 5%	10/01/2044	82,335,000	74,880,000
Adv Refund 2013A / Fitts-Woolard; Plant Sciences	2020B	1.387% - 3.02%	10/01/2042	184,445,000	166,640,000
University Towers Purchase and Renovation	2024A	4% - 5%	10/01/2053	50,410,000	48,640,000
Integrative Sciences Building Construction	2024B	4% - 5%	10/01/2053	89,130,000	85,450,000
Total Revenue Bond Payable				635,135,000	516,240,000
Bonds from Direct Placements					
Various Construction Projects	2017	2.58%	10/01/2031	50,438,952	14,077,685
Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)				$ 685,573,952	530,317,685
Plus: Unamortized Premium					20,999,983
Total Revenue Bonds Payable and Bonds from Direct Placements, Net					$ 551,317,668

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

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2026
Energy Conservation Loan	Truist	3.25%	09/01/2028	$ 19,700,703	$ 4,069,495
Energy Conservation Loan	Bank of America	4.07%	08/17/2028	56,060,010	14,522,258
Total Notes from Direct Borrowings				$ 75,760,713	$ 18,591,753

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2026, are as follows:

	Annual Requirements					
	Revenue Bonds Payable		Bonds from Direct Placements		Notes from Direct Borrowings	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2027	$ 23,145,000	$ 17,935,125	$ 2,477,845	$ 331,240	$ 8,370,524	$580,329
2028	23,580,000	17,050,959	2,542,608	266,476	9,156,192	240,985
2029	32,800,000	16,165,497	2,609,065	200,020	1,065,037	5,117
2030	35,255,000	15,349,496	2,094,176	139,348	-	-
2031	32,385,000	14,192,740	2,148,912	84,612	-	-
2032-2036	103,950,000	58,253,560	2,205,079	28,446	-	-
2037-2041	126,195,000	37,364,816	-	-	-	-
2042-2046	83,520,000	15,994,629	-	-	-	-
2047-2051	32,530,000	7,932,600	-	-	-	-
2052-2054	22,880,000	1,397,200	-	-	-	-
Total Requirements	$ 516,240,000	$ 201,636,622	$ 14,077,685	$ 1,050,142	$ 18,591,753	$826,431

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 and Bonds from Direct Placements - The outstanding revenue bonds and revenue bonds from direct placement 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 judgment 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 30 days after written notice, specifying such failure and requesting that it be remedied.

Notes from Direct Borrowings - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for the outstanding notes from direct borrowings. The outstanding notes from direct borrowings also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, or (3) 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. **Pollution Remediation Payable** - The University has recognized a pollution remediation liability for remediation of Lot 86 which the University used as a burial site for hazardous chemical and low-level radioactive waste generated in the University's laboratories. The amount of the estimated liability is $3,578,066. This estimate was calculated at its expected amount, using the expected cash flow technique. This liability could change over time due to changes in the cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

The University has also recognized a hazardous material remediation liability for Poe Hall, which the University closed due to the presence of hazardous materials in the building. The amount of estimated liability is $36,272,495 to abate the hazardous materials and deconstruct the building. This estimate was calculated at its expected amount, using the expected cash flow technique. This liability could change over time due to changes in the cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

G. **Asset Retirement Obligations -** The University has asset retirement obligations arising from federal regulations to perform certain decommissioning activities at the time of disposal of its PULSTAR reactor facility. These activities include removal of all activated reactor components, demolition of the reactor biological shield, and disposal costs for radioactive materials. The amount of the estimated liability is $17,614,550. The liability was estimated by analyzing the actual decommissioning costs of a representative university reactor facility and adjusting the costs to be consistent with the NC State PULSTAR facility. Costs were also adjusted for the effects of inflation. At year-end, the estimated remaining useful life of the PULSTAR reactor facility was 37 years. In accordance with 10 CFR 50.75(e)(1)(iv), the University has provided the following Statement of Intent regarding decommissioning funding. The University is a State government organization and decommissioning funding obligations are fully backed by the State of North Carolina. Decommissioning funds will be appropriated when necessary following the provisions of NC General Statute 116-11(9)(a).

Note 10 - Leases and Subscription-Based Information Technology Arrangements

A. **Lessor Arrangements** - The University leases land and 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.

Measurement of the lease receivable excluded the following variable payment amounts: the increase or decrease in payments after the initial measurement of the lease receivable that depend on changes in an index or rate (such as the Consumer Price Index). During the year, the University did not recognize any variable payment amounts.

During the year ended June 30, 2026, the University recognized operating revenues related to lessor arrangements totaling $3,372,958 and nonoperating lease interest income totaling $3,172,039. The lease receivable includes subleases of $369,059 with Appalachian State University (a constituent university of the University of North Carolina System) and $998,589 with Dole Food Company for the right to use part of a building on the North Carolina Research Campus.

The University's lessor arrangements at June 30, 2026, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2026	Current Portion	Original Lease Terms (1)	Interest Rate Ranges
Lessor:					
Land	17	$ 35,029,964	$ 9,217	17 - 88 years	5.93% - 8.5%
Buildings	18	4,989,277	2,407,499	1 - 7 years	4.67% - 8.5%
Total	35	$ 40,019,241	$2,416,716		

(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 both external and related parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the lease liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the lease liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. During the year, the University did not recognize any variable payment amounts. The lease liability includes $43,319,492 for a use agreement with the Centennial Authority (a component unit of the State of North Carolina) for men's basketball games at the Lenovo Center (see Note 18). The use agreement has a remaining lease term of 70 years.

The University had commitments under leases before the lease term as follows: a 10-year lease agreement for the right-to-use 16,234 square feet in the Keystone Science Center beginning December 24, 2026, with total payments over the period of $7,364,264.

The University's lessee arrangements at June 30, 2026, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2026	Current Portion	Original Lease Terms (1)	Interest Rate Ranges
Lessee:					
Right-to-Use Leased Buildings	37	$ 86,241,885	$ 10,726,381	1 - 70 years	0.32% - 10%
Right-to-Use Leased Machinery and Equipment	7	8,048,869	2,474,216	1 - 5 years	1.53% - 7.25%
Total	44	$ 94,290,754	$ 13,200,597		

(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. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the subscription liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the subscription liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. During the year, the University did not recognize any variable payment amounts.

The University's SBITAs at June 30, 2026, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2026	Current Portion	Original SBITA Terms [1]	Interest Rate Range
Right-to-Use Subscription Assets	23	$ 7,562,824	$ 4,254,948	3 years	4.1% – 4.5%

(1) The SBITA terms were calculated using weighted averages based on subscription liability amounts.

D. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2026, are as follows:

	Annual Requirements			
	Lease Liabilities		SBITA Liabilities	
Fiscal Year	Principal	Interest	Principal	Interest
2027	$ 13,200,597	$ 2,695,872	$ 4,254,948	$ 178,232
2028	11,143,076	2,356,550	2,528,238	49,567
2029	8,922,451	2,057,080	779,638	1,145
2030	4,946,758	1,834,134	-	-
2031	3,010,891	1,667,688	-	-
2032-2036	8,820,671	7,048,259	-	-
2037-2041	854,336	6,092,835	-	-
2042-2046	-	6,124,810	-	-
2047-2051	-	6,118,768	-	-
2052-2056	-	6,049,489	-	-
2057-2061	-	6,439,912	-	-
2062-2066	1,018,780	5,641,967	-	-
2067-2071	3,353,849	5,274,399	-	-
2072-2076	4,524,224	4,770,141	-	-
2077 - Beyond	34,495,121	10,216,449	-	-
Total Requirements	$ 94,290,754	$ 74,388,353	$ 7,562,824	$ 228,944

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	$ (168,183,431)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(986,950,023)
Effect on Unrestricted Net Position	(1,155,133,454)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	650,880,339
Total Unrestricted Net Position	$ (504,253,115)

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	$ 538,702,634	$ 171,782,317	$ 314,069	$ 366,606,248
Sales and Services, Net	$ 427,059,398	$ 18,153,310	$ 341,139	$ 408,564,949
Other Revenue, Net	$ 22,358,603	$ -	$ 155,375	$ 22,203,228

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	$ 516,827,839	$ 80,699,918	$ -	$ -	$ -	$ 597,527,757
Research	248,050,268	153,425,130	-	1,113,321	-	402,588,719
Public Service	97,706,480	46,319,536	-	612,493	-	144,638,509
Academic Support	62,373,213	44,300,709	-	54,251	-	106,728,173
Student Services	27,847,639	19,888,607	-	-	-	47,736,246
Institutional Support	112,657,660	34,509,956	-	106,879	-	147,274,495
Operations and Maintenance of Plant	48,710,951	50,989,622	-	32,717,256	-	132,417,829
Student Financial Aid	-	-	58,161,681	-	-	58,161,681
Auxiliary Enterprises	124,183,565	146,743,906	-	11,068,876	-	281,996,347
Depreciation/ Amortization	-	-	-	-	169,555,854	169,555,854
Total Operating Expenses	$ 1,238,357,615	$ 576,877,384	$ 58,161,681	$ 45,673,076	$ 169,555,854	$ 2,088,625,610

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 are not law enforcement officers and 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 N.C.G.S. §135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Unreduced 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 N.C.G.S. §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, 2026 was 17.14% of covered payroll. Plan members' contributions to the pension plan were $25,448,783, and the University's contributions were $72,698,690 for the year ended June 30, 2026.

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 2025 *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 2025 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2026, the University reported a liability of $272,026,174 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, and update procedures were used to roll forward the total pension liability to June 30, 2025. 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, 2025, the University's proportion was 2.31342%, which was an increase of .01050 from its proportion measured as of June 30, 2024, which was 2.30292%.

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	12/31/2024
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity

** 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, 2024 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, 2025 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.8%
Real Estate	6.1%
Alternatives	7.9%
Opportunistic Fixed Income	5.1%
Inflation Sensitive	4.2%

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, 2025 is 2.53%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2024 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, 2025 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%)
$569,290,673	$272,026,174	$ 26,935,010

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2026, the University recognized pension expense of $70,339,415. At June 30, 2026, 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	$ 32,245,304	$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	8,749,401
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	7,648,150	-
Contributions Subsequent to the Measurement Date	72,698,690	-
Total	$ 112,592,144	$ 8,749,401

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, 2027. 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 Balance of Deferred Outflows of Resources and Deferred Inflows of Resources That Will be Recognized in Pension Expense:

Year Ending June 30:	Amount
2027	$ 70,010,443
2028	(5,897,888)
2029	(19,509,348)
2030	(13,459,154)
Total	$ 31,144,053

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 N.C.G.S. §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, 2026, the University had a total payroll of $1,086,199,887, of which $437,185,962 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $26,231,158 and $29,903,520, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions. Forfeitures reduced the University's pension expense during the current fiscal year by $1,927,596.

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 2025 *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 2025 *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 N.C.G.S. §135-7(f) 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. 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.

Sections 35.21 (c) and (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 North Carolina 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, Articles 1 and 3B of the North Carolina 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, 2026, was 7.33% of covered payroll. The University's contributions to the RHBF were $63,135,661 for the year ended June 30, 2026.

In fiscal year 2024, the Plan transferred $10.3 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, 2026, the University recognized noncapital contributions for RHBF of $11,326.

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. Per N.C.G.S. § 135-106 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 North Carolina 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, 2026, was 0.07% of covered payroll. The University's contributions to DIPNC were $602,932 for the year ended June 30, 2026.

C. Net OPEB Liability (Asset)

Retiree Health Benefit Fund: At June 30, 2026, the University reported a liability of $847,491,816 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024, and update procedures were used to roll forward the total OPEB liability to June 30, 2025. 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, 2025, the University's proportion was 3.85585%, which was a decrease of .00263 from its proportion measured as of June 30, 2024, which was 3.85848%.

Disability Income Plan of North Carolina: At June 30, 2026, the University reported an asset of $2,713,340 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2024, and update procedures were used to roll forward the total OPEB liability to June 30, 2025. 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, 2025, the University's proportion was 4.15214%, which was an increase of .07113 from its proportion measured as of June 30, 2024, which was 4.08101%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2024, 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, 2025, utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2024	12/31/2024
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% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug***	9.5% grading down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	9.77% grading down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	Premium adjustments for IRA impact through 2027, down to 5% by 2028	N/A
Healthcare Cost Trend Rate - Administrative***	-7.9% increasing to 3% by 2027	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, 2025.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2025 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.8%
Real Estate	6.1%
Alternatives	7.9%
Opportunistic Fixed Income	5.1%
Inflation Sensitive	4.2%

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, 2025 is 2.53%. The total return for the Bond Index Investment Pool is expected to exceed the assumed investment rate of return of 3% used to measure the total OPEB liability for DIPNC. As such, the investment rate of return of 3% includes a provision for adverse deviation.

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, 2024 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 5.2% at June 30, 2025 compared to 3.93% at June 30, 2024. 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 5.2% was used as the discount rate used to measure the total OPEB liability. The 5.2% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2025.

The discount rate used to measure the total OPEB liability for DIPNC was 3% at June 30, 2025 and at June 30, 2024. 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 (4.2%)	Current Discount Rate (5.2%)	1% Increase (6.2%)
RHBF	$995,936,519	$847,491,816	$724,102,140

	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	$ (2,582,963)	$ (2,713,340)	$ (2,851,275)

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%, Pharmacy - 4% - 8.5%, Pharmacy Rebate - 4% - 8.77%, Med. Advantage - 0% - 4%, Administrative - (8.9)% to 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Pharmacy Rebate - 5% - 9.77%, Med. Advantage - 0% - 5%, Administrative - (7.9)% to 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Pharmacy Rebate - 6% - 10.77%, Med. Advantage - 0% - 6%, Administrative - (6.9)% to 4%)
RHBF	$ 705,466,393	$ 847,491,816	$ 1,024,299,226

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

OPEB Expense: For the fiscal year ended June 30, 2026, the University recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	$ (34,778,255)
DIPNC	43,266
Total OPEB Expense	$ (34,734,989)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2026, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 6,839,167	$ 423,809	$ 7,262,976
Changes of Assumptions	226,773,528	-	226,773,528
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,539,017	334,123	1,873,140
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	21,927,340	84,997	22,012,337
Contributions Subsequent to the Measurement Date	63,135,661	602,932	63,738,593
Total	$ 320,214,713	$ 1,445,861	$ 321,660,574

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ -	$ 1,237,462	$ 1,237,462
Changes of Assumptions	447,010,819	352,226	447,363,045
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	12,662,101	71,987	12,734,088
Total	$ 459,672,920	$ 1,661,675	$ 461,334,595

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 (asset) related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2027. 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
2027	$ (70,782,834)	$ (736,896)
2028	(6,972,648)	(164,110)
2029	(30,014,619)	54,957
2030	(94,823,767)	27,303
Total	$ (202,593,868)	$ (818,746)

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 fire and lightning coverage. Coverage for all remaining risks for all buildings and contents is charged to the University. Losses covered by the Fund are subject to a $50,000 per occurrence deductible unless the University has elected a higher deductible. Special deductibles apply for Wind/Hail and Earth Movement of $100,000 per occurrence. Flood has a special deductible of $100,000 unless the property subject to loss is in a high hazard flood zone in which case the deductible moves to $100,000 per location/$100,000 per business personal property.

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 $6,000,000 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, the State's Agent of Record. The types of insurance policies purchased include: medical professional liability, veterinary professional liability, fine arts property, master crime, inland marine property, musical instruments, campers accident and sickness coverage, athletic accident, boiler and machinery, watercraft, oceanographic equipment, cyber and data breach, student health, business travel, unmanned aerial systems liability, equine mortality, event cancellation, liquor liability, internship liability, volunteer liability, and nuclear energy liability.

Note 17 - Commitments and Contingencies

A. **Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts and other purchases were $157,092,434 at June 30, 2026.

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 Parties

Foundations - There are 7 separately incorporated nonprofit foundations associated with the University. These foundations are the North Carolina State Alumni Association, Inc., NC State Engineering Foundation, Inc., NC State Natural Resources Foundation, Inc., North Carolina State University College of Sciences Foundation, Inc., North Carolina Veterinary Medical Foundation, Inc., North Carolina Textile Foundation, Inc., and NC State Student Aid Association, Inc.

These organizations serve as the primary fundraising arm of the University through which individuals, corporations, and other organizations support University programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific colleges and the University's overall academic environment. The University's financial statements do not include the assets, liabilities, net position, or operational transactions of the foundations, except for amounts reported within the fiduciary statements and support from each organization to the University. This support approximated $72,614,700 for the year ended June 30, 2026.

Nonprofit Corporations - The Centennial Authority (Authority) was created by the 1995 General Assembly (Senate Bill 606) for the purpose of studying, designing, planning, constructing, owning, promoting, financing and operating a regional facility on land owned by the State. Prior to this act, the General Assembly authorized the construction by the University of a facility to be known as the "Entertainment and Sports Arena" (ESA). This facility serves as a regional sports entertainment center and is available for cultural performances, sporting events and other activities of the University or of other entities (the Centennial Center project). With the 1995 legislation, the Centennial Center project was transferred to the Authority.

The Authority entered into a Ground Lease with the State of North Carolina to lease land for the ESA for a period of 99 years at an annual rent of $1. The University entered into a Use Agreement with the Authority. Both parties agreed that the University shall be the primary and preferred user of all areas of the ESA. Per Agreement the University is required to pay the greater of 10% of gross ticket revenues or $62,276 for each men's and $27,247 for each women's basketball game to compensate the Authority for facility rental and operating expenses for games held during fiscal year 2026. Rent and expense payments for miscellaneous events will be negotiated on an event-by-event basis based on the availability of the ESA and the anticipated attendance. In fiscal year 2025, the arena was renamed "Lenovo Center".

Note 19 - Blended Component Units

Condensed combining information for the University's blended component units for the year ended June 30, 2026, is presented as follows:

Condensed Statement of Net Position
Proprietary Fund
June 30, 2026

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Eliminations	Total
ASSETS					
Current Assets	$ 711,574,908	$ 28,459,877	$ 3,927,826	$ -	$ 743,962,611
Capital Assets, Net	2,578,534,813	-	24,127,000	-	2,602,661,813
Other Noncurrent Assets	200,253,494	1,100,945,062 **1**	17,240,647	-	1,318,439,203
Primary Government Receivable from Component Unit	2,785,750	-	-	(2,785,750)	-
Total Assets	3,493,148,965	1,129,404,939	45,295,473	(2,785,750)	4,665,063,627
TOTAL DEFERRED OUTFLOWS OF RESOURCES	449,098,177	-	-	-	449,098,177
LIABILITIES					
Current Liabilities	289,216,348	972,377	1,884,174	-	292,072,899
Long-Term Liabilities, Net	1,862,207,286	-	3,736,239	-	1,865,943,525
Other Noncurrent Liabilities	74,212,624	-	-	-	74,212,624
Component Unit Payable to Primary Government	-	-	2,785,750	(2,785,750)	-
Total Liabilities	2,225,636,258	972,377	8,406,163	(2,785,750)	2,232,229,048
TOTAL DEFERRED INFLOWS OF RESOURCES	492,090,356	-	16,233,947	-	508,324,303
NET POSITION					
Net Investment in Capital Assets	1,868,895,767	-	16,721,126	-	1,885,616,893
Restricted - Nonexpendable	(892,687,246)	1,128,432,562 **2**	-	-	235,745,316
Restricted - Expendable	756,119,330	-	380,029	-	756,499,359
Unrestricted	(507,807,323)	-	3,554,208	-	(504,253,115)
Total Net Position	$ 1,224,520,528	$ 1,128,432,562	$ 20,655,363	$ -	$ 2,373,608,453

1 Total investments in the NC State Investment Fund., Inc. audit report included $1,206,218,728 held in the Investment Fund for the North Carolina State University Foundation, Inc. and The North Carolina Agricultural Foundation, Inc. This amount is excluded from the University prepared financial statements and included in the accompanying component unit financial statements. See Note 2. It is therefore excluded from the Condensed Statement of Net Position and the Condensed Statement of Revenues, Expenses, and Changes in Net Position.

2 Restricted Nonexpendable assets are held in the NC State Investment Fund, Inc. while the associated liabilities are held in North Carolina State University statements resulting in a negative net position before blending.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2026

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Eliminations	Total
OPERATING REVENUES					
Operating Revenue	$ 1,344,619,880	$ -	$ 12,970,015	$ (15,656,622)	$ 1,341,933,273
OPERATING EXPENSES					
Operating Expenses	1,922,870,472	-	11,855,906	(15,656,622)	1,919,069,756
Depreciation/Amortization	168,175,861	-	1,379,993	-	169,555,854
Total Operating Expenses	2,091,046,333	-	13,235,899	(15,656,622)	2,088,625,610
Operating Income (Loss)	(746,426,453)	-	(265,884)	-	(746,692,337)
NONCAPITAL SUBSIDIES					
State Appropriations	684,376,819	-	-	-	684,376,819
Noncapital Contributions	132,430,790	-	1,493,227	-	133,924,017
Total Noncapital Subsidies	816,807,609	-	1,493,227	-	818,300,836
Operating Income (Loss) and Noncapital Subsidies	70,381,156	-	1,227,343	-	71,608,499
OTHER NONOPERATING REVENUES (EXPENSES)					
Investment Income, Net	21,824,988	205,253,986	-	-	227,078,974
Interest and Fees on Debt	(21,420,484)	-	-	-	(21,420,484)
Other Nonoperating Revenues (Expenses)	9,348,873	-	(3,902,973)	-	5,445,900
Capital Contributions	97,999,532	-	-	-	97,999,532
Additions to Endowments	7,942,941	-	-	-	7,942,941
Transfers	13,557,817	(13,557,817)	-	-	-
Net Other Nonoperating Revenues (Expenses)	129,253,667	191,696,169	(3,902,973)	-	317,046,863
Increase (Decrease) in Net Position	199,634,823	191,696,169	(2,675,630)	-	388,655,362
NET POSITION					
Net Position, July 1, 2025	1,024,885,705	936,736,393	23,330,993	-	1,984,953,091
Net Position, June 30, 2026	$ 1,224,520,528	$ 1,128,432,562	$ 20,655,363	$ -	$ 2,373,608,453

Condensed Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2026

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Total
Net Cash Provided (Used) by Operating Activities	$ (736,009,061)	$ -	$ 514,842	$ (735,494,219)
Net Cash Provided (Used) by Noncapital Financing Activities	887,084,441	-	(2,287,728)	884,796,713
Cash Used by Capital Financing and Related Financing Activities	(191,192,862)	-	(1,363,952)	(192,556,814)
Net Cash Provided by Investing Activities	34,874,909	4,618,423	-	39,493,332
Net Increase (Decrease) in Cash and Cash Equivalents	(5,242,573)	4,618,423	(3,136,838)	(3,760,988)
Cash and Cash Equivalents, July 1, 2025	718,163,006	23,841,456	5,458,643	747,463,105
Cash and Cash Equivalents, June 30, 2026	$ 712,920,433	$ 28,459,879	$ 2,321,805	$ 743,702,117

Note 20 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2026, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 103, Financial Reporting Model Improvements

GASB Statement No. 104, Disclosure of Certain Capital Assets

GASB Statement No. 103 improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing accountability. The main areas that are impacted include: (1) Management's Discussion and Analysis; (2) Unusual or Infrequent Items; (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position; (4) Major Component Unit Information; and (5) Budgetary Comparison Information.

GASB Statement No. 104 provides users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. Additional disclosures are required for capital assets held for sale.

Note 21 - Subsequent Event

Subsequent to fiscal year end, the Board of Trustees of the Endowment Fund entered into a contract to purchase real property located at 1801 Varsity Drive, Raleigh, North Carolina, for a purchase price of $13,200,000. The property consists of an office building of approximately 120,000 square feet and an associated parking deck containing approximately 480 spaces. The transaction closed on September 11, 2026.

Note 22 - Discretely Presented Component Units

The University's discretely presented component units use the accounting and reporting standards promulgated by FASB. Selected disclosures from the discretely presented component units' audited financial statements follow:

North Carolina State University Foundation, Inc.

Long-Term Investments

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

Long-Term Investments at June 30, 2026 consisted of:

	Cost	Fair Value
STIF	$ 13,834	$ 13,834
NC State Investment Fund. Inc. Long-Term Investment Pool (LTIP)	378,102,486	924,630,136
SRI Fund	61,937,272	69,574,026
Life Income Funds	2,923,206	3,440,313
Total	$ 442,976,798	$ 997,658,309

Life Income Funds

The consolidated financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is the trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2026, have fair value asset balances of $3,440,313.

The liabilities for distributions to grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries, and totaled $2,636,969 at June 30, 2026. Payments from these funds were $541,138 during the year ended June 30, 2026. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established in order to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2026, the CGA reserve balance was $17,127.

In addition to the above life income funds, the Foundation was named as the recipient of an externally managed irrevocable trust whose investments are managed and custodied by an external party with a market value of $6,975,979 as of June 30, 2026. The related payable was $4,679,741 as of June 30, 2026.

Pledges Receivable

Pledges receivable consisted of the following at June 30, 2026:

Receivable in Less than One Year	$ 10,836,863
Receivable in One to Five Years	20,046,899
Receivable in Greater than Five Years	2,146,607
Total Gross Pledges Receivable	33,030,369
Less Allowance for Uncollectible Pledges	(1,652,000)
Less Unamortized Discount (Discount Rate of 3.86% to 4.47%)	(3,357,530)
Net Pledges Receivable	$ 28,020,839

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance. Two donors represented approximately $8 million of total undiscounted pledges receivable at June 30, 2026. Active past due and long-term pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to allow for or write off such pledges.

The North Carolina Agricultural Foundation, Inc.

Long-Term Investments

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

Long-Term Investments at June 30, 2026 consisted of:

	Cost	Fair Value
STIF	$ 76,726	$ 76,726
NC State Investment Fund. Inc. Long-Term Investment Pool (LTIP)	75,994,585	229,769,563
Life Income Funds	9,192,073	10,742,888
Total	$ 85,263,384	$ 240,589,177

Life Income Funds

The financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is the trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift and marked to market thereafter. Life income funds at June 30, 2026 have fair value asset balances of $10,742,888.

The liabilities for distributions to the grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancies of the beneficiaries, and totaled $5,513,674 at June 30, 2026. Payments from these funds were $591,038 during the year ended June 30, 2026. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2026, the CGA reserve balance was $196,571.

Pledges Receivable

Pledges receivable consisted of the following at June 30, 2026:

Receivable in Less than One Year	$ 2,050,895
Receivable in One to Five Years	2,007,396
Receivable in Greater than Five Years	211,584
Total Gross Pledges Receivable	4,269,875
Less Allowance for Uncollectible Pledges	(214,000)
Less Unamortized Discount (Discount Rate of 3.86% to 4.33%)	(348,471)
Net Pledges Receivable	$ 3,707,404

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, along with any specific pledges for which collectability is uncertain. Two donors represented approximately $1.05 million of total undiscounted pledges receivable at June 30, 2026. Active past due and long-term pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to allow for or write off such pledges.



Required Supplementary Information

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

Exhibit D-1

Teachers' and State Employees' Retirement System	2026	2025	2024	2023	2022
Proportionate Share Percentage of Collective Net Pension Liability	2.31342%	2.30292%	2.19954%	2.08912%	2.20005%
Proportionate Share of TSERS Collective Net Pension Liability	$ 272,026,174	$ 341,216,241	$ 366,706,935	$ 310,072,163	$ 103,019,563
Covered Payroll	$ 434,611,766	$ 417,326,093	$ 386,710,098	$ 353,295,759	$ 344,917,119
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	62.59%	81.76%	94.83%	87.77%	29.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.82%	85.35%	82.97%	84.14%	94.86%

	2021	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net Pension Liability	2.26827%	2.26106%	2.22637%	2.22596%	2.20202%
Proportionate Share of TSERS Collective Net Pension Liability	$ 274,052,313	$ 234,403,118	$ 221,659,379	$ 176,617,483	$ 202,388,385
Covered Payroll	$ 353,653,996	$ 346,742,820	$ 331,594,965	$ 324,634,557	$ 312,155,082
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	77.49%	67.60%	66.85%	54.41%	64.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%	87.32%

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

Exhibit D-2

Teachers' and State Employees' Retirement System	2026	2025	2024	2023	2022
Contractually Required Contribution	$ 72,698,690	$ 72,971,316	$ 73,616,323	$ 67,210,215	$ 57,869,845
Contributions in Relation to the Contractually Determined Contribution	72,698,690	72,971,316	73,616,323	67,210,215	57,869,845
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 424,146,384	$ 434,611,766	$ 417,326,093	$ 386,710,098	$ 353,295,759
Contributions as a Percentage of Covered Payroll	17.14%	16.79%	17.64%	17.38%	16.38%

	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 50,978,750	$ 45,868,923	$ 42,614,693	$ 35,745,937	$ 32,398,529
Contributions in Relation to the Contractually Determined Contribution	50,978,750	45,868,923	42,614,693	35,745,937	32,398,529
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 344,917,119	$ 353,653,996	$ 346,742,820	$ 331,594,965	$ 324,634,557
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%

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 State University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2026

Changes of Benefit Terms:

	Cost of Living Increase									
Teachers' and State Employees' Retirement System	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	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 2025 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

North Carolina State University
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans **Exhibit D-3**
Last Ten Fiscal Years*

Retiree Health Benefit Fund	**2026**	**2025**	**2024**	**2023**	**2022**
Proportionate Share Percentage of Collective Net OPEB Liability	3.85585%	3.85848%	3.81303%	3.72503%	3.82676%
Proportionate Share of Collective Net OPEB Liability	$ 847,491,816	$ 1,312,370,446	$1,016,074,701	$ 884,577,552	$ 1,183,066,098
Covered Payroll	$ 870,077,297	$ 822,525,909	$ 756,695,522	$ 699,372,467	$ 674,891,261
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	97.40%	159.55%	134.28%	126.48%	175.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	16.19%	9.79%	10.73%	10.58%	7.72%

	2021	**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	3.90378%	3.88356%	3.83759%	3.54230%	3.97671%
Proportionate Share of Collective Net OPEB Liability	$ 1,082,941,007	$ 1,228,738,701	$1,093,258,395	$1,161,399,772	$ 1,730,004,018
Covered Payroll	$ 685,244,979	$ 668,939,140	$ 640,522,115	$ 622,217,834	$ 593,161,610
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	158.04%	183.68%	170.68%	186.65%	291.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%

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

Disability Income Plan of North Carolina	2026	2025	2024	2023	2022
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	4.15214%	4.08101%	3.87899%	3.68467%	3.74971%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (2,713,340)	$ (1,343,713)	$ 1,031,656	$ 1,096,116	$ (612,478)
Covered Payroll	$ 870,077,297	$ 822,525,909	$ 756,695,522	$ 699,372,467	$ 674,891,261
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.31%	0.16%	0.14%	0.16%	0.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	132.29%	114.99%	90.61%	90.34%	105.18%

	2021	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	3.95654%	3.92068%	3.89123%	3.85175%	3.71822%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (1,946,380)	$ (1,691,773)	$ (1,182,000)	$ (2,354,190)	$ (2,309,387)
Covered Payroll	$ 685,244,979	$ 668,939,140	$ 640,522,115	$ 622,217,834	$ 593,161,610
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.28%	0.25%	0.18%	0.38%	0.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	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 State University
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

Retiree Health Benefit Fund	2026	2025	2024	2023	2022
Contractually Required Contribution	$ 63,135,661	$ 60,818,403	$ 58,728,350	$ 52,136,321	$ 43,990,528
Contributions in Relation to the Contractually Determined Contribution	63,135,661	60,818,403	58,728,350	52,136,321	43,990,528
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 861,332,346	$ 870,077,297	$ 822,525,909	$ 756,695,522	$ 699,372,467
Contributions as a Percentage of Covered Payroll	7.33%	6.99%	7.14%	6.89%	6.29%

	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 45,082,736	$ 44,335,350	$ 41,942,484	$ 38,751,588	$ 36,150,856
Contributions in Relation to the Contractually Determined Contribution	45,082,736	44,335,350	41,942,484	38,751,588	36,150,856
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 674,891,261	$ 685,244,979	$ 668,939,140	$ 640,522,115	$ 622,217,834
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%

North Carolina State 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	2026	2025	2024	2023	2022
Contractually Required Contribution	$ 602,932	$ 1,131,101	$ 904,779	$ 756,696	$ 629,435
Contributions in Relation to the Contractually Determined Contribution	602,932	1,131,101	904,779	756,696	629,435
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 861,332,346	$ 870,077,297	$ 822,525,909	$ 756,695,522	$ 699,372,467
Contributions as a Percentage of Covered Payroll	0.07%	0.13%	0.11%	0.10%	0.09%

	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 607,402	$ 685,245	$ 936,515	$ 896,731	$ 2,364,428
Contributions in Relation to the Contractually Determined Contribution	607,402	685,245	936,515	896,731	2,364,428
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 674,891,261	$ 685,244,979	$ 668,939,140	$ 640,522,115	$ 622,217,834
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%

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 State University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2026

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.

Effective January 1, 2026, the out-of-pocket maximum for the Medicare Advantage plans will be increased. In addition, the benefit terms related to copays, out-of-pocket maximums and deductibles will be increased for the 70/30 PPO and 80/20 PPO options of the RHBF.

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, 2025 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 5.20%, from 3.93% as of June 30, 2024. 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, 2025 for DIPNC, the discount rate remained at 3%, unchanged from the rate as of June 30, 2024.

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 2025 *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 State University
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of North Carolina State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component units, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 13, 2026. Our report includes a reference to other auditors who audited the financial statements of the NC State Investment Fund, Inc. and the discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the North Carolina State University Foundation, Inc., a discretely presented component unit, 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 this entity.

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

November 13, 2026

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: 919-432-4050
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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/tipline

This audit required 1,050 hours at an approximate cost of $147,000.