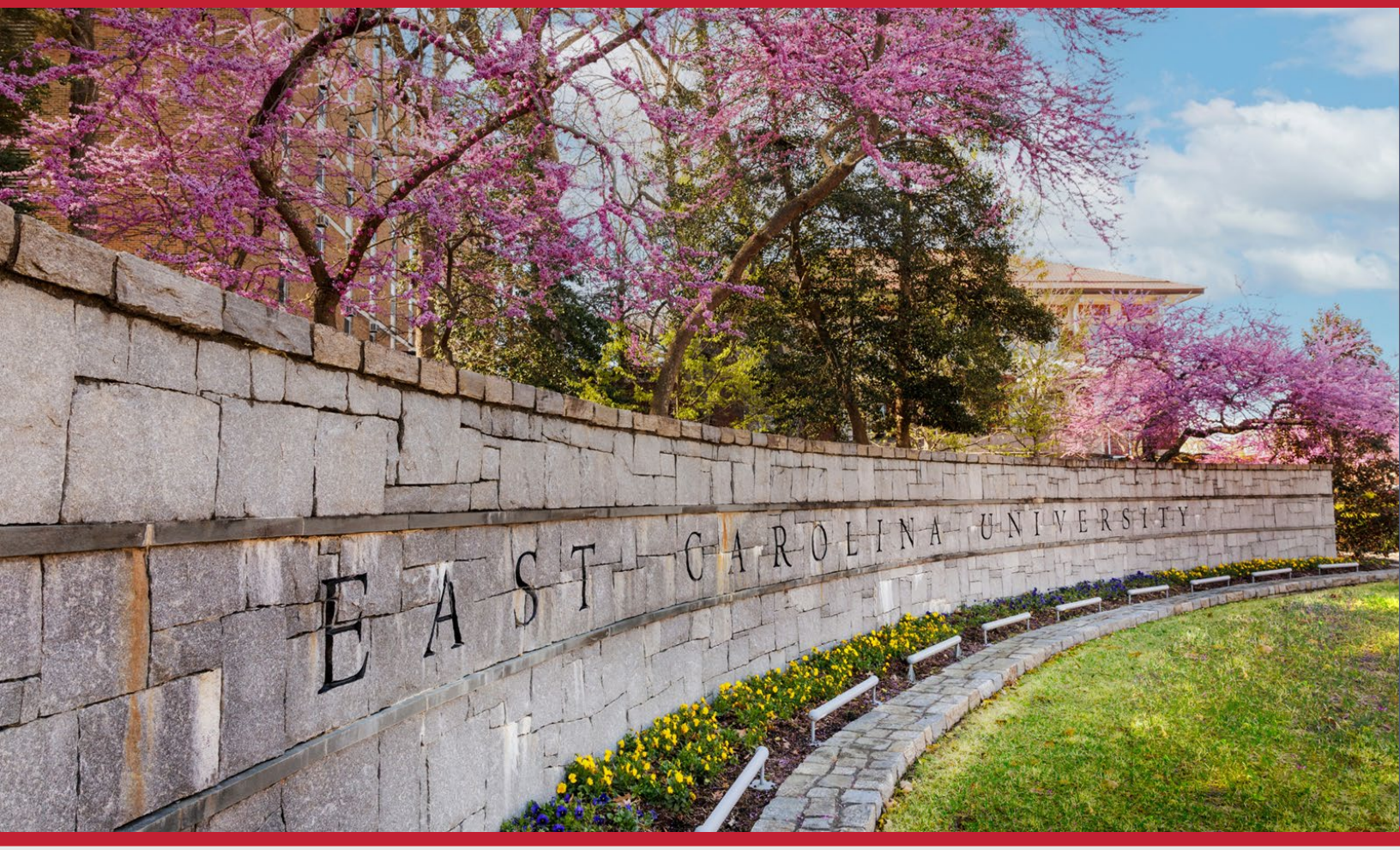
East Carolina University

Greenville, 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, East Carolina University
Dr. Philip Rogers, Chancellor

East Carolina University combines its educational mission with a significant health care operation serving eastern North Carolina. With revenues of $1.35 billion and expenses of $1.11 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 East Carolina University's financial records shows no material errors for the year ended June 30, 2026.

We appreciate East Carolina University staff for their cooperation and support throughout the audit process.

Respectfully submitted,

Dave Boliek
State Auditor

REPORT SUMMARY

East Carolina 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: $1.35 Billion

Expenses: $1.11 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
East Carolina University
Greenville, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of East Carolina University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component 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 East Carolina 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 East Carolina University Foundation, Inc. and Consolidated Affiliates or East Carolina University Medical and Health Sciences 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 East Carolina University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 18 to the financial statements, during the year ended June 30, 2026, East Carolina 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.

As discussed in Note 19 to the financial statements, East Carolina University changed its financial reporting entity to include East Carolina University Medical and Health Sciences Foundation, Inc. as a discretely presented component unit. In the prior year, the financial information of the East Carolina University Medical and Health Sciences Foundation, Inc. was reported in the fiduciary fund financial statements. This change in the financial reporting entity has been reported as an adjustment to the fiduciary fund's beginning net position. 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 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 18, 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 18, 2026



Management's Discussion and Analysis

This section of the financial statements presents Management's Discussion and Analysis (MD&A) of the financial performance and condition of East Carolina University (ECU or University) for the fiscal year ended June 30, 2026. The University is one of the 16 universities in the University of North Carolina System (UNC System), a component unit of the State of North Carolina, and an integral part of the State's *Annual Comprehensive Financial Report*.

This discussion has been prepared in accordance with the newly implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, and should be read in conjunction with the accompanying financial statements and notes. Information presented focuses on significant transactions, events, and conditions that affected the University's financial position and results of operations during fiscal year 2026 and provides comparative information for fiscal year 2025.

The University also implemented GASB Statement No. 104, *Disclosure of Certain Capital Assets*, in fiscal year 2026. This statement requires certain types of capital assets to be disclosed separately in the capital assets note.

Overview of the Financial Statements

The University's core financial reporting is composed of five primary statements:

- **Statement of Net Position:** Serves as a fiscal snapshot detailing all University assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.
- **Statement of Revenues, Expenses, and Changes in Net Position:** Documents operating and nonoperating financial activity during the fiscal year, as well as noncapital subsidies.
- **Statement of Cash Flows:** Tracks actual cash receipts and disbursements across operating, noncapital financing, capital financing, and investing categories.
- **Statement of Fiduciary Net Position:** Financial statement presenting fiduciary assets, deferred outflows, liabilities, deferred inflows, and net position.
- **Statement of Changes in Fiduciary Net Position:** Financial statement presenting additions to and deductions from fiduciary funds.

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

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

Per GASB standards, the University's component units are reported separately in the financial statements and are excluded from this MD&A unless specifically noted. For more details on the University's component units, see Note 1 to the Financial Statements.

The University's financial report includes two financial statements from each of its discretely presented component units:

- East Carolina University Foundation, Inc. and Consolidated Affiliates:
  - Statements of Financial Position; and
  - Statements of Activities.
- East Carolina University Medical and Health Sciences Foundation, Inc.:
  - Statement of Financial Position; and
  - Statement of Activities.

Financial Summary

For the fiscal year ended June 30, 2026, the University's financial position improved significantly. Net position increased by approximately $235.5 million, from a restated balance of $771.9 million to $1.01 billion, reflecting strong capital funding, favorable investment performance, improved operating results, and substantial reductions in pension and other postemployment benefit (OPEB) liabilities. The change in net position is a key indicator of the cumulative effect of the University's activities on its overall financial health. During fiscal year 2026, the University recognized approximately $1.35 billion in revenues and other additions to net position and incurred approximately $1.11 billion in expenses and deductions, resulting in continued growth in the University's financial strength and investment in strategic priorities.

Detailed Analysis

Condensed Statement of Net Position
Proprietary Fund
(Dollars in Millions)

	2026	2025 (as Restated)	Change
Assets			
Current Assets	$ 579.0	$ 535.7	$ 43.3
Capital Assets	1,433.1	1,330.9	102.2
Other Noncurrent Assets	239.2	214.0	25.2
Total Assets	2,251.3	2,080.6	170.7
Deferred Outflows of Resources	235.4	330.3	(94.9)
Liabilities			
Current Liabilities	141.0	132.3	8.7
Noncurrent Liabilities	1,041.6	1,371.6	(330.0)
Total Liabilities	1,182.6	1,503.9	(321.3)
Deferred Inflows of Resources	296.7	135.1	161.6
Net Position	$ 1,007.4	$ 771.9	$ 235.5

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

Prior year capital assets and net position are shown in the Condensed Statement of Net Position as restated for error corrections. This is the result of corrections to capital asset depreciation and capitalized expenses. See Note 19 for further details.

Net position increased by approximately $235.5 million, from a restated fiscal year 2025 balance of $771.9 million to $1.01 billion in fiscal year 2026. This improvement is the culmination of increases in total assets ($170.7 million), decreases in total liabilities ($321.3 million), and changes in deferred outflows and inflows.

Increases in total assets are attributable to ongoing construction projects that total $217.2 million, an increase of $129.7 million over fiscal year 2025, reflecting the University's continued investment in major capital projects and infrastructure improvements. See the Capital Assets section below for information on current projects. Current assets increased primarily due to increases in current cash and patient receivables. Current restricted and unrestricted cash increased primarily due to capital improvements and auxiliary operations. Patient receivables increased due to higher patient volumes and pricing changes. Other noncurrent assets increased primarily due to an increase in endowment investments by $17.4 million due to market gains and fundraising efforts.

The $321.3 million reduction in total liabilities was primarily driven by reductions in the current year's net pension and OPEB liabilities, which decreased by $46.8 million and $273.6 million respectively during fiscal year 2026. Pension and OPEB related calculations also heavily impact the current year changes noted above for deferred inflows and outflows of resources.

Net Position Components
(Dollars in Millions)

	2026	2025 (as Restated)	Change
Net Investment in Capital Assets	$ 1,043.5	$ 941.8	$ 101.7
Restricted Net Position	231.9	200.8	31.1
Unrestricted Net Position	(268.0)	(370.7)	102.7
Net Position	$ 1,007.4	$ 771.9	$ 235.5

The amounts may slightly differ from the financial statements because of rounding.
Prior year net investment in capital assets is restated for the error correction described above.

The University's net investment in capital assets increased by approximately $101.7 million, mostly attributable to ongoing construction projects. See the Capital Assets section below for details. Restricted net position increased by approximately $31.1 million due to capital project funding increases of $14.1 million, as well as the previously mentioned endowment fund growth. Unrestricted net position improved by approximately $102.7 million due primarily to favorable pension and OPEB adjustments totaling $61.4 million, as well as $24.6 million of increased auxiliary reserve funds.

Results of Operations

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
(Dollars in Millions)

	2026	2025 (as Restated)	Change
Operating Revenues	$ 770.5	$ 726.9	$ 43.6
Operating Expenses	1,098.1	1,117.6	(19.5)
Operating Loss	(327.6)	(390.7)	63.1
Noncapital Subsidies			
State Appropriations	376.3	380.5	(4.2)
Noncapital Contributions	21.1	27.8	(6.7)
Federal Aid - COVID 19	-	1.0	(1.0)
Total Noncapital Subsidies	397.4	409.3	(11.9)
Operating Loss and Noncapital Subsidies	69.8	18.6	51.2
Other Nonoperating Revenues (Expenses)			
Investment Income	40.2	31.0	9.2
Expenses Related to Financing Related to Debt	(12.4)	(11.5)	(0.9)
Revenues Related to Financing Related to Debt	0.4	0.2	0.2
Other Nonoperating Expenses	(1.3)	(1.7)	0.4
Capital Contributions	138.3	71.3	67.0
Additions to Endowments	0.5	0.6	(0.1)
Net Nonoperating Revenues	165.7	89.9	75.8
Increase in Net Position	235.5	108.5	127.0
Net Position - July 1	771.9	663.4	108.5
Net Position - June 30	$ 1,007.4	$ 771.9	$ 235.5

Fiscal year 2026 total revenues are $1.35 billion and total expenses are $1.11 billion. Expenses include investment expenses of $345 thousand.
Fiscal year 2025 total revenues are $1.24 billion and total expenses are $1.13 billion. Expenses include investment expenses of $342 thousand.

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

The presentation of the Condensed Statement of Revenues, Expenses, and Changes in Net Position differs from prior years due to the University's implementation of GASB Statement No. 103, *Financial Reporting Model Improvements*, in the current year. Fiscal year 2025 information was reformatted to match fiscal year 2026 information for comparison purposes. See Note 18 for further information on changes in financial accounting and reporting.

The error corrections previously discussed are shown in the Condensed Statement of Revenues, Expenses, and Changes in Net Position as a restatement to operating expenses. See Note 19 for further details.

Operating revenues increased by $43.6 million, while operating expenses decreased by $19.5 million. As a result, the University's operating loss improved by approximately $63.1 million compared to fiscal year 2025. Detailed information for the various components of the Condensed Statement of Revenues, Expenses, and Changes in Net Position is discussed in greater detail below.

Revenues

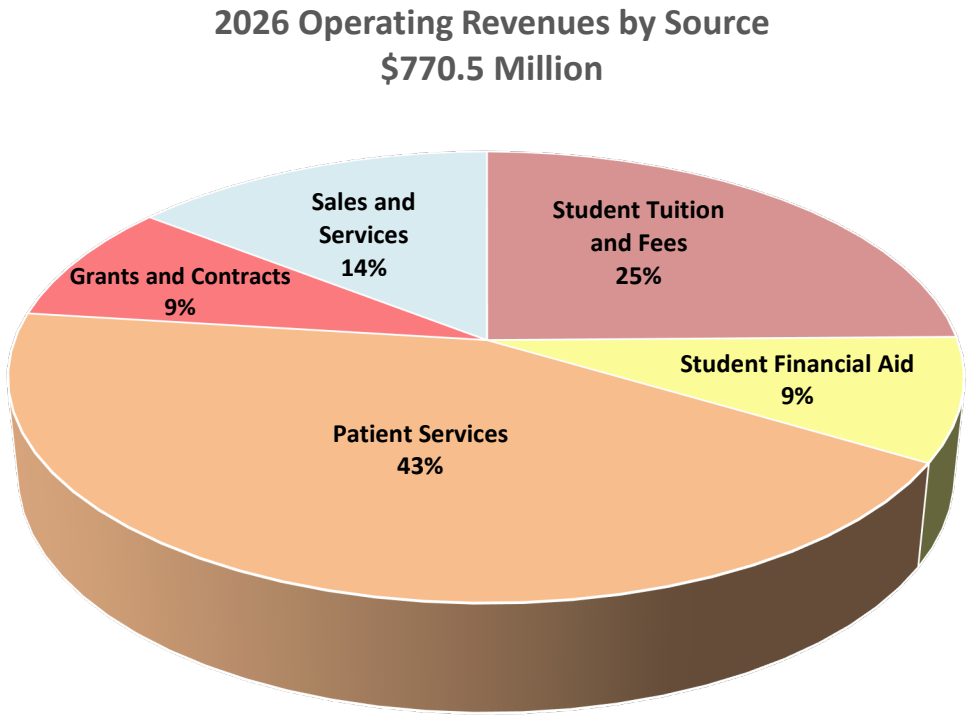
Operating Revenues
(Dollars in Millions)

	2026	2025	Change
Operating Revenues			
Student Tuition and Fees, Net	$ 189.9	$ 175.2	$ 14.7
Student Financial Aid	67.6	67.7	(0.1)
Patient Services, Net	332.9	295.7	37.2
Grants and Contracts	65.9	75.7	(9.8)
Sales and Services, Net	110.6	109.5	1.1
Other Operating Revenues	3.6	3.1	0.5
Total Operating Revenues	$ 770.5	$ 726.9	$ 43.6

Amounts may slightly differ from the financial statements because of rounding.
Prior year amounts are reclassified to be consistent with GASB 103 implementation. See above for details.

Operating revenues totaled approximately $770.5 million during fiscal year 2026. Patient services continued to represent the University's largest operating revenue source followed by student tuition and fees.

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



"Other Operating Revenues" were less than 1% of the total operating revenue.

Tuition and Fees

Net tuition and fee revenue increased by approximately $14.7 million compared to fiscal year 2025. The increase was driven by approximately $6.1 million in mandatory fee revenue and $6.1 million in resident tuition growth and $2.5 million in non-resident tuition growth due to increased enrollment and higher tuition rates. Additional growth resulted from ECU's Flight Path programs, which continue to grow in both headcount and course offerings. These increases reflect continued efforts to expand instructional offerings and enrollment opportunities.

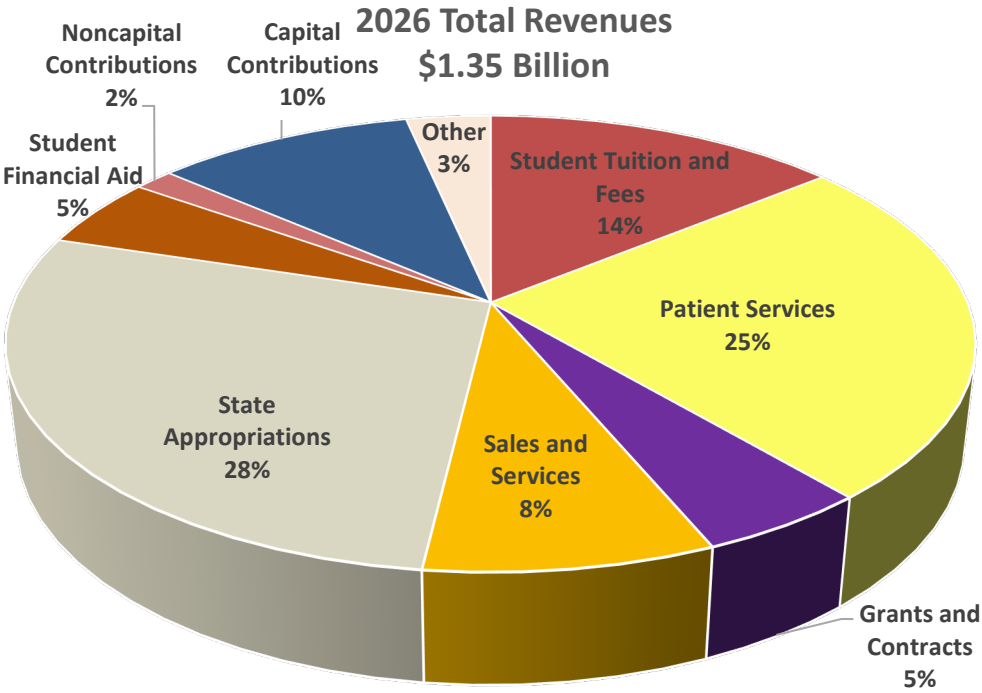
Patient Services

Patient services revenue increased by approximately $37.2 million. The increase was driven by increased provider productivity, higher patient volumes, pricing adjustments, and the continued advancement of the ECU Health integration. Specifically, fiscal year 2026 is the first full year that includes the integration of ECU Health's heart and vascular practice into ECU Physician's practice. This integration resulted in significantly increased volume in the cardiovascular sciences service line.

Grants and Contracts

Grant and contract revenues decreased by approximately $9.8 million from the prior year. During fiscal year 2026, the University experienced reduced sponsored award activity and delays in federal funding, resulting in lower expenditures and revenue recognition. Management continues to monitor the federal research funding environment closely.

The following chart illustrates the University's total revenue by source (operating, nonoperating, and other revenues) which totals approximately $1.35 billion for fiscal year 2026:



Expenses

Operating Expense Comparison
(Dollars in Millions)

	2026	2025 (as Restated)	Change
Operating Expenses			
Salaries and Benefits	$ 649.8	$ 722.0	$ (72.2)
Supplies and Services	339.9	290.5	49.4
Scholarships and Fellowships	27.2	27.8	(0.6)
Utilities	20.2	19.2	1.0
Depreciation/Amortization	61.0	58.1	2.9
Total Operating Expenses	$ 1,098.1	$ 1,117.6	$ (19.5)

The amounts may slightly differ from the financial statements because of rounding.

Supplies and services and depreciation/amortization are restated for error corrections. See above for details.

Total operating expenses decreased to approximately $1.10 billion, a decline of $19.5 million, in fiscal year 2026 because of a substantial decline in salaries and benefits that offset a significant increase in services.

Salaries and Benefits

Salaries and benefits decreased by approximately $72.2 million compared to fiscal year 2025. The decrease was attributable to reductions in pension and OPEB expenses, employee attrition, and workforce realignment activities. Benefits expense alone declined by approximately $58.0 million due to actuarial adjustments impacting retirement and healthcare benefit plan costs. Additionally, salary expenses were reduced by approximately $14.2 million due to the University's position management efforts, the Faculty Realignment Incentive Program, and the continued transition of selected positions to ECU Health as a part of furthering the practice integration.

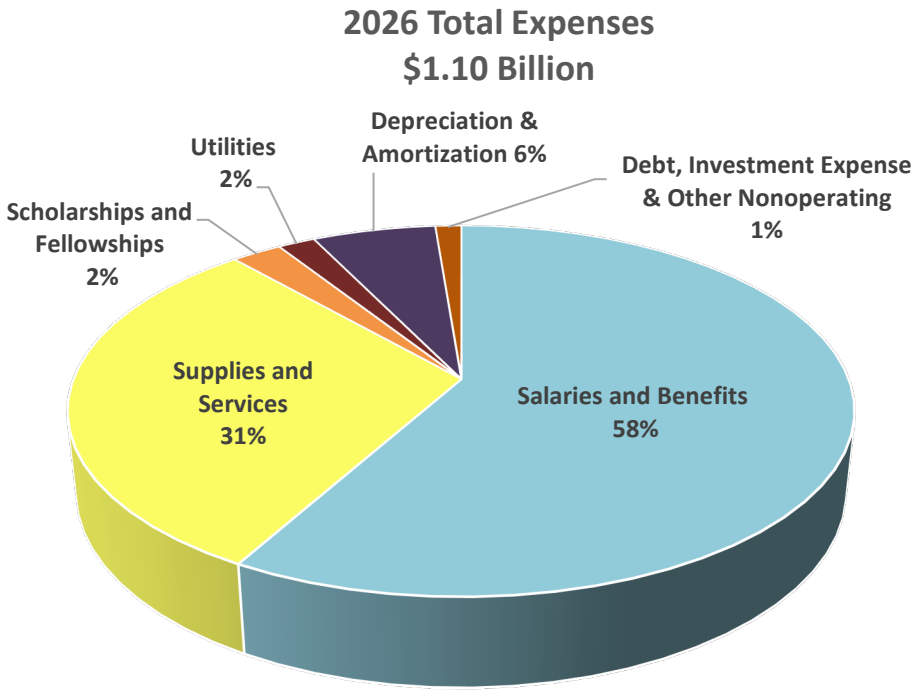
Supplies and Services

Supplies and services expense increased by approximately $49.4 million, primarily due to the continued expansion of contractual service agreements utilizing ECU Health employees in ECU medical clinics. In addition to the $41.1 million increase related to these service agreements, other contributors to the overall increase include $4.2 million in additional athletics-related costs, $2.7 million related to platform management and other information technology services, and approximately $1.0 million of advertising expenditures related to student recruitment.

Depreciation and Amortization

Depreciation and amortization expenses increased approximately $2.9 million due to growth in capital assets and increased amortization associated with subscription-based information technology arrangements (SBITAs). The University entered into twelve new software subscriptions during fiscal year 2026, resulting in a net increase in SBITA-related assets of $7.0 million and increasing SBITA-related amortization by $2.1 million.

Total expenses for the fiscal year ended June 30, 2026 were $1.10 billion, and include operating expenses, nonoperating investment expenses, interest & fees on debt, and other nonoperating net expenses:



Noncapital Subsidies and Other Nonoperating Revenues

State appropriations continue to be the University's largest source of support and totaled approximately $376.3 million during fiscal year 2026. Noncapital contributions decreased $6.7 million primarily due to one-time project related funding received in the prior year. Investment income increased by approximately $9.2 million due to favorable market performance and contributed significantly to the overall growth in the University's endowment.

Capital contributions totaled approximately $138.3 million and increased by approximately $67.0 million over fiscal year 2025, primarily due to State Capital and Infrastructure Fund appropriations supporting the Medical Education Building and Medical Examiner projects.

Capital Assets and Debt Administration

Capital Assets

The University continued significant investment in academic, research, healthcare, and student support facilities during fiscal year 2026.

Capital assets increased primarily due to ongoing construction activity. Construction in progress increased by approximately $129.7 million and totaled approximately $217.2 million as of June 30, 2026. Major projects included:

- Medical Education Building
- Legacy and Jones Residence Hall renovations
- Howell Science Complex renovations
- Campus utility and infrastructure improvements

The largest construction investments included $83.2 million for the Medical Education Building, $21.2 million for Legacy and Jones Residence Hall renovations, and $14.5 million associated with the Howell Science Complex project.

Debt Administration

During fiscal year 2026, the University issued approximately $35.2 million of new revenue bonds to support capital financing needs. The new debt issuance was partially offset by scheduled principal payments and refunding activity, resulting in an overall increase of approximately $2.9 million in revenue bonds payable and direct placement bonds. Revenue bonds increased $5.3 million, from approximately $320.2 million in fiscal year 2025 to approximately $325.5 million in fiscal year 2026, while direct placement bonds decreased $2.4 million, from $19.9 million to $17.5 million.

The 2026 Revenue Bonds provided financing for strategic capital investments while allowing the University to continue advancing critical infrastructure projects. Despite the new issuance, the University maintained prudent debt management practices through ongoing debt service payments and continued monitoring of long-term financing obligations.

Lease liabilities and subscription-based information technology arrangement (SBITA) liabilities declined by approximately $11 million during fiscal year 2026, as scheduled principal payments exceeded newly recognized obligations.

Currently Known Facts, Decisions, or Conditions

Management continues to monitor several factors that may affect future financial performance.

Federal research funding remains an area of focus due to delays experienced during fiscal year 2026 and uncertainty surrounding future sponsored program funding levels. Changes in federal priorities and appropriations may affect future research activity and grant revenues.

During fiscal year 2026, management implemented targeted cost-containment measures that included position management, procurement efficiencies, and operational process improvements. These initiatives contributed to improved operating results while minimizing impacts on instructional, research, and student support activities.

The University's partnership with ECU Health continues to evolve and remains an important component of both financial and operational performance. Clinical operations, healthcare

workforce needs, reimbursement changes, and shared service arrangements will continue to influence future revenues and expenses.

Enrollment remained stable during fiscal year 2026. Management remains focused on enrollment growth, student retention, workforce-aligned academic programs, and expanding access through online education. Enrollment and student success remain central strategic priorities. Tuition revenue growth during fiscal year 2026 was supported by expanded instructional offerings, including ECU Flight Path programming and extension education initiatives.

The University also continues to navigate demographic shifts affecting higher education, inflationary pressures, workforce recruitment challenges, and changing economic conditions. Management believes that continued investment in academic quality, healthcare partnerships, research activities, online learning opportunities, and student success initiatives will position the University for long-term financial stability and mission fulfillment.

Overall, fiscal year 2026 was a year of financial improvement for East Carolina University. Net position exceeded $1.01 billion for the first time, major capital projects advanced, operating performance improved, and long-term liabilities declined. These results reflect the University's continued commitment to strategic investment, fiscal stewardship, and support of its educational, research, healthcare, and public service missions.

Contacting the University's Financial Management Team

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



Financial Statements

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

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	390,660,620
Restricted Cash and Cash Equivalents		81,808,612
Short-Term Investments		5,105,223
Receivables, Net (Note 5)		89,493,314
Due from Primary Government		1,168,348
Due from University Component Units		229,420
Inventories		2,627,678
Notes Receivable, Net (Note 5)		204,013
Leases Receivable (Note 9)		1,601,666
Other Assets		6,055,569
Total Current Assets		578,954,463
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		108,789,989
Receivables (Note 5)		8,380,779
Endowment Investments		110,921,551
Restricted Investments		17,366
Notes Receivable, Net (Note 5)		1,157,123
Leases Receivable (Note 9)		7,863,473
Investment in Joint Ventures		549,935
Net Other Postemployment Benefits Asset		1,529,418
Capital Assets - Nondepreciable (Note 6)		271,760,312
Capital Assets - Depreciable, Net (Note 6)		1,161,363,598
Total Noncurrent Assets		1,672,333,544
Total Assets		2,251,288,007
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding		3,580,310
Deferred Outflows Related to Pensions		61,465,216
Deferred Outflows Related to Other Postemployment Benefits (Note 14)		170,302,832
Total Deferred Outflows of Resources		235,348,358
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 7)		63,107,371
Due to Primary Government		7,947,915
Deposits Payable		983,987
Unearned Revenue		28,709,785
U.S. Government Grants Refundable		755,590
Interest Payable		3,348,783
Long-Term Liabilities - Current Portion (Note 8)		36,190,390
Total Current Liabilities		141,043,821

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

Noncurrent Liabilities:	
Accounts Payable and Accrued Liabilities	1,887,727
Funds Held for Others	533,618
Unearned Revenue	5,961,812
U.S. Government Grants Refundable	2,562,252
Long-Term Liabilities, Net (Note 8)	1,030,637,886
Total Noncurrent Liabilities	1,041,583,295
Total Liabilities	1,182,627,116
DEFERRED INFLOWS OF RESOURCES	
Deferred Gain on Refunding	871,751
Deferred Inflows Related to Pensions	8,496,663
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	276,702,230
Deferred Inflows for Leases	10,585,217
Total Deferred Inflows of Resources	296,655,861
NET POSITION	
Net Investment in Capital Assets	1,043,518,876
Restricted:	
Nonexpendable:	
True Endowments	50,572,332
Student Loans and Other	47,911
Total Restricted-Nonexpendable Net Position	50,620,243
Expendable:	
Scholarships, Research, Instruction, and Other	73,031,799
Capital Projects	90,998,615
Debt Service	17,253,792
Total Restricted-Expendable Net Position	181,284,206
Unrestricted	(268,069,937)
Total Net Position	$ 1,007,353,388

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

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

Exhibit A-2

OPERATING REVENUES		
Student Tuition and Fees, Net (Note 11)	$	189,913,509
Student Financial Aid		67,593,881
Patient Services, Net (Note 11)		332,858,425
Federal Grants and Contracts		38,420,527
State and Local Grants and Contracts		8,936,286
Nongovernmental Grants and Contracts		18,589,507
Sales and Services, Net (Note 11)		110,574,529
Other Operating Revenues		3,652,943
Total Operating Revenues		770,539,607
OPERATING EXPENSES		
Salaries and Benefits		649,789,649
Supplies and Services		339,910,068
Scholarships and Fellowships		27,231,248
Utilities		20,161,051
Depreciation/Amortization		61,041,037
Total Operating Expenses		1,098,133,053
Operating Loss		(327,593,446)
NONCAPITAL SUBSIDIES		
State Appropriations		376,272,393
State Aid		16,757
Noncapital Contributions		21,101,634
Total Noncapital Subsidies		397,390,784
Operating Loss and Noncapital Subsidies		69,797,338
OTHER NONOPERATING REVENUES (EXPENSES)		
Investment Income (Net of Investment Expense of $344,967)		40,224,691
Expenses Related to Financing Related to Debt		(12,468,481)
Revenues Related to Financing other than Debt		426,452
Loss from the Disposal of Capital Assets		(1,300,054)
Capital Contributions		138,256,860
Additions to Endowments		538,207
Net Other Nonoperating Revenues		165,677,675
Increase in Net Position		235,475,013
NET POSITION		
Net Position - July 1, 2025, as Restated (Note 19)		771,878,375
Net Position - June 30, 2026	$	1,007,353,388

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

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	683,207,259
Payments to Employees and Fringe Benefits		(723,787,951)
Payments to Vendors and Suppliers		(355,205,108)
Payments for Scholarships and Fellowships		(27,231,247)
Loans Issued		(6,000)
Collection of Loans		641,352
Student Deposits Received		493,366
Student Deposits Returned		(427,671)
William D. Ford Direct Lending Receipts		121,356,992
William D. Ford Direct Lending Disbursements		(121,657,645)
Interest Earned on Loans		109,301
Related Activity Agency Receipts		38,330,028
Related Activity Agency Disbursements		(38,310,578)
Other Receipts		266,252
Net Cash Used by Operating Activities		(422,221,650)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Student Financial Aid		66,363,162
State Appropriations		376,272,393
State Aid		16,757
Noncapital Contributions		21,095,176
Additions to Endowments		538,207
Total Cash Provided by Noncapital Financing Activities		464,285,695
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Debt		19,332,365
Capital Contributions		136,636,737
Proceeds from Lease Arrangements		1,879,638
Acquisition and Construction of Capital Assets		(147,248,918)
Principal Paid on Capital Debt and Lease/Subscription Liabilities		(35,741,776)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities		(13,171,353)
Net Cash Used by Capital Financing and Related Financing Activities		(38,313,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		1,849,813
Investment Income		25,714,289
Purchase of Investments and Related Fees		(9,887,643)
Net Cash Provided by Investing Activities		17,676,459
Net Increase in Cash and Cash Equivalents		21,427,197
Cash and Cash Equivalents - July 1, 2025		559,832,024
Cash and Cash Equivalents - June 30, 2026	$	581,259,221

East Carolina 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	$	(327,593,446)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Student Financial Aid		(67,593,881)
Depreciation/Amortization Expense		61,041,037
Lease Income (Amortized Deferred Inflows of Resources)		(247,144)
Allowances, Write-Offs, and Amortizations		279,856
Other Nonoperating Income		375,553
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		(15,861,419)
Due from Primary Government		(1,168,348)
Due from University Component Units		(32,109)
Inventories		(359,048)
Prepaid Assets		(896,931)
Notes Receivable, Net		635,352
Net Other Postemployment Benefits Asset		(739,872)
Deferred Outflows Related to Pensions		37,081,205
Deferred Outflows Related to Other Postemployment Benefits		57,524,334
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		5,859,259
Due to Primary Government		(3,160)
Funds Held for Others		(97,072)
Unearned Revenue		(2,409,529)
Net Pension Liability		(46,839,622)
Net Other Postemployment Benefits Liability		(273,591,711)
Compensated Absences		(110,486)
Deposits Payable		65,695
Workers' Compensation Liability		(841,476)
Deferred Inflows Related to Pensions		6,275,419
Deferred Inflows Related to Other Postemployment Benefits		147,025,894
Net Cash Used by Operating Activities	$	(422,221,650)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	16,194,563
Assets Acquired through a Gift		1,721,998
Change in Fair Value of Investments		14,459,212
Reinvested Distributions		139,489
Loss from the Disposal of Capital Assets		(1,546,470)
Bond Issuance Cost Withheld		(155,905)
Amortization of Bond Premiums/Discounts		(651,680)
Amortization of Deferred Gain/Loss on Refunding		312,148
Increase in Receivables Related to Noncapital Subsidies/Other Nonoperating Revenues		7,840,092
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions		(6,458)
Funds Escrowed to Defease Debt		16,920,835
Decrease in Liabilities Due to Early Termination of Leases and Subscriptions		(765,712)

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

East Carolina University
Statement of Fiduciary Net Position
Fiduciary Fund - Custodial Funds
June 30, 2026

Exhibit B-1

	Other Funds
ASSETS	
Cash and Cash Equivalents	$ 15,619,763
Total Assets	15,619,763
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	-
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Restricted for:	
Affiliated Organization	15,619,763
Total Fiduciary Net Position	$ 15,619,763

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

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

Exhibit B-2

	Other Funds
ADDITIONS	
Contributions:	
Affiliated Organization	$ 23,796,899
DEDUCTIONS	
Withdrawals and Distributions	31,314,502
Decrease in Fiduciary Net Position	(7,517,603)
NET POSITION	
Net Position - July 1, 2025, as Adjusted (Note 19)	23,137,366
Net Position - June 30, 2026	$ 15,619,763

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

East Carolina University Foundations
Statement of Financial Position
June 30, 2026

Exhibit C-1

	East Carolina University Foundation, Inc. and Consolidated Affiliates	East Carolina University Medical & Health Sciences Foundation, Inc.
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 10,173,712	$ 2,358,444
Current Portion of Unconditional Promises to Give, Net	1,997,496	628,960
Prepaid Expenses	72,625	45,180
Other Receivables	86,770	120,376
Total Current Assets	12,330,603	3,152,960
INVESTMENTS		
Investments	283,879,738	118,481,022
Real Estate Held for Investment	185,003	3,117,526
Total Investments	284,064,741	121,598,548
CAPITAL ASSETS		
Capital Assets, Net	3,796,218	46,146
OTHER ASSETS		
Life Insurance Policy - Cash Surrender Value	329,955	42,021
Student Loans, Net	24,779	-
Beneficial Interest in Charitable Remainder Trusts and Annuities	4,490,874	3,102,662
Beneficial Interest in Perpetual Trusts	-	841,916
Assets Held in Charitable Remainder Trusts and Annuities	184,949	178,790
Collectibles	-	337,502
Unconditional Promises to Give, Less Current Portion, Net	6,881,009	627,112
Total Other Assets	11,911,566	5,130,003
TOTAL ASSETS	$ 312,103,128	$ 129,927,657
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 84,694	$ 254,522
Accrued Expenses	-	10,121
Current Portion of Notes Payable	1,981,535	-
Current Portion of Charitable Gift Annuities Payable	4,693	-
Agency Payables	156,994	-
Deferred Revenue	40,383	7,768
Total Current Liabilities	2,268,299	272,411
LONG-TERM LIABILITIES		
Charitable Gift Annuities Payable, Less Current Portion	13,857	-
Liabilities Under Charitable Remainder Trusts and Annuities	38,396	58,589
Total Long-Term Liabilities	52,253	58,589
Total Liabilities	2,320,552	331,000
NET ASSETS		
Without Donor Restrictions	41,209,085	40,380,436
With Donor Restrictions	268,573,491	89,216,221
Total Net Assets	309,782,576	129,596,657
Total Liabilities and Net Assets	$ 312,103,128	$ 129,927,657

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

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

Exhibit C-2

	East Carolina University Foundation, Inc. and Consolidated Affiliates	East Carolina University Medical & Health Sciences Foundation, Inc.
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS AND OTHER SUPPORT		
Contributions, Net	$ 252,451	$ 2,403,616
Gifts In-Kind	44,832	-
Contributed Services and Facilities	3,234,310	1,111,629
Return on Investments		
Interest and Dividends	866,005	178,104
Net Realized and Unrealized Gains on Investments	9,148,748	12,342,355
Other Income, Net	537,214	120,720
Gain on Disposition of Property	267,865	-
Change in Value of Split Interest Agreements	16,729	229,599
Net Assets Released from Restrictions	15,142,624	6,199,565
Total Revenues, Gains, and Other Support	29,510,778	22,585,588
EXPENSES AND LOSSES		
Program Services		
Program Development	7,946,959	-
Program and Faculty Support	-	2,723,966
Research, Clinical, and Education	-	1,366,182
Scholarships and Awards	5,890,052	1,603,512
Total Program Services	13,837,011	5,693,660
General and Administrative	2,418,689	924,231
Fundraising	3,264,572	1,726,082
Total Expenses	19,520,272	8,343,973
Increase in Net Assets Without Donor Restrictions	9,990,506	14,241,615
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
REVENUES, GAINS AND OTHER SUPPORT		
Contributions, Net	14,811,348	6,419,237
Gifts In-Kind	88,997	711,465
Return on Investments		
Interest and Dividends	1,723,600	32,921
Net Realized and Unrealized Gains on Investments	34,502,943	19,577,345
Other Income, Net	393,079	173,090
Gain on Disposition of Property	32,920	-
Change in Value of Split Interest Agreements	220,424	317,945
Net Assets Released from Restrictions	(15,142,624)	(6,199,565)
Increase in Net Assets With Donor Restrictions	36,630,687	21,032,438
NET ASSETS		
Increase in Net Assets	46,621,193	35,274,053
Net Assets at Beginning of Year	263,161,383	94,322,604
Net Assets at End of Year	$ 309,782,576	$ 129,596,657

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



Notes to the Financial Statements

Note 1 - Significant Accounting Policies

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

The accompanying financial statements present all funds belonging to the University and its component 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 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.

Discretely Presented Component Units - East Carolina University Foundation, Inc. (Foundation) and East Carolina University Medical and Health Sciences Foundation, Inc. (Medical 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. East Carolina University Real Estate Foundation, Inc., Green Town Properties, Inc., and ECU Innovation Foundation, LLC are the consolidated affiliates of the Foundation.

The Foundation and Medical Foundation act primarily as fundraising organizations to supplement the resources that are available to the University in support of its programs. The Foundation board consists of 69 members, and the Medical Foundation board consists of 30 members. 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 Medical Foundation 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 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 $13,837,011 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the University Financial Services Office, 2200 Charles Blvd., Suite 2900, Greenville, NC 27858, or by calling (252) 737-1133.

During the year ended June 30, 2026, the Medical Foundation distributed $5,693,660 to the University for both restricted and unrestricted purposes. Complete financial statements for the Medical Foundation can be obtained from the ECU Medical and Health Sciences Foundation Office, 690 Medical Dr., Greenville, NC 27835, or by calling (252) 847-5626.

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

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

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

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, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

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

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

F. **Receivables** - Receivables consist of tuition and fees charged to students, charges for services rendered to patients, and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using either the first-in, first-out or last invoice cost method.

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

   The University capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated computer software which is capitalized when the value or cost is $1,000,000 or greater. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year and are $5,000 or more in the aggregate are capitalized 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	10-75 years
Machinery and Equipment	2-50 years
General Infrastructure	10-50 years
Computer Software	2-20 years

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

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of $250,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of $150,000 or greater and an estimated useful life of more than one year.

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

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

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

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

K. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other

assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes revenue bonds payable and bonds from direct placements. Other long-term liabilities include: arbitrage rebate payable, lease liabilities, subscription liabilities, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

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

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 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 13 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 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 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

L. **Compensated Absences** - The University 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.

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

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

Proprietary Fund

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

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

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

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

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

Fiduciary Fund

Restricted Net Position - Fiduciary net position includes resources held in a custodial capacity for the affiliated organization that is 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 Statement No. 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, copy centers, postal services, and telecommunications. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to

University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

Note 2 - Deposits and Investments

A. **Deposits** - Unless specifically exempt, the University is required by 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 $581,142,077 for the proprietary fund and $15,619,763 for the fiduciary fund, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 2.2 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 $33,713. The carrying amount of the University's deposits not with the State Treasurer was $83,431, and the bank balance was $83,645. 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 was not exposed to custodial credit risk.

B. **Investments**

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

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

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. No single investment fund will represent more than 10% of Portfolio assets. Exception is made for passive investments (index funds and exchange-traded index funds). Concentration in any individual security is at the discretion of the individual investment managers. The Committee will consider the level of single-security concentration in determining the size of the investments made with each individual investment manager. The University does not have a formal policy that addresses credit risk for investments other than those under the control of the Endowment Board.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk that addresses custodial credit risk for investments other than those under the control of the Endowment Board.

Long-Term Investment Pool - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the market unit valuation method. Under this method, each participating fund's investment balance is determined on its number of units owned. Valuation of the underlying assets is performed by the custodian. The investment strategy, including the selection of investment managers, is based on the directives of the Board of Trustees of the Endowment Fund.

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

Long-Term Investment Pool

		Investment Maturities (in Years)			
	Amount	Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities					
Debt Mutual Funds	$ 3,741,723	$ -	$ -	$ 3,741,723	$ -
Money Market Mutual Funds	729,062	729,062	-	-	-
Total Debt Securities	4,470,785	$ 729,062	$ -	$ 3,741,723	$ -
Other Securities					
UNC Investment Fund	8,603,883				
International Mutual Funds	8,781,091				
Equity Mutual Funds	26,670,665				
Hedge Funds	20,947,036				
Private Equity Limited Partnerships	14,293,642				
Other Limited Partnerships	27,154,449				
Total Long-Term Investment Pool	$ 110,921,551				

At June 30, 2026, investments in the Long-Term Investment Pool had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa
Debt Mutual Funds	$ 3,741,723	$ -	$ 3,741,723
Money Market Mutual Funds	729,062	729,062	-
Totals	$ 4,470,785	$ 729,062	$ 3,741,723

Rating Agency: Morningstar

UNC Investment Fund, LLC - At June 30, 2026, the University's investments include $8,603,883, 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 Maturities (in Years)	
	Amount	Less Than 1	1 to 5
Investment Type			
Debt Securities			
U.S. Treasuries	$ 5,047,921	$ 2,529,746	$ 2,518,175
Money Market Mutual Funds	74,668	74,668	-
Total Debt Securities	$ 5,122,589	$ 2,604,414	$ 2,518,175

At June 30, 2026, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	AAA Aaa
Money Market Mutual Funds	$ 74,668

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

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

	Amount
Investment Type	
Debt Securities	
U.S. Treasuries	$ 5,047,921
Debt Mutual Funds	3,741,723
Money Market Mutual Funds	803,730
Other Securities	
UNC Investment Fund	8,603,883
International Mutual Funds	8,781,091
Equity Mutual Funds	26,670,665
Hedge Funds	20,947,036
Private Equity Limited Partnerships	14,293,642
Other Limited Partnerships	27,154,449
Total Investments	$ 116,044,140

Component Units - Investments of the University's discretely presented component units 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. Because these foundations report under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Amount
Investment Type	
Common Stock	$ 20,000
Mutual Funds	92,991,044
Total Marketable Securities	93,011,044
Alternative Investments	309,349,716
Total Investments	$ 402,360,760

The consolidated financial statements for East Carolina University Foundation, Inc. include alternative investments consisting of private equity, private credit, venture capital, hedge funds, and fixed income that are valued at $190,899,709 (67% of total investments) at June 30, 2026. Management has valued these investments using net asset value as the practical expedient to estimate fair values.

The consolidated financial statements for East Carolina University Medical and Health Sciences Foundation, Inc. include alternative investments consisting of hedge funds that are valued at $118,450,007 (91% of net assets) at June 30, 2026. Management has valued these investments using net asset value as the practical expedient to estimate fair values.

Note 3 - Fair Value Measurements

University - 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 Level				
Debt Securities				
U.S. Treasuries	$ 5,047,921	$ 5,047,921	$ -	$ -
Debt Mutual Funds	3,741,723	3,741,723	-	-
Total Debt Securities	8,789,644	8,789,644	-	-
Other Securities				
International Mutual Funds	8,781,091	8,781,091	-	-
Equity Mutual Funds	26,670,665	26,670,665	-	-
Total Other Securities	35,451,756	35,451,756	-	-
Total Investments by Fair Value Level	44,241,400	$ 44,241,400	$ -	$ -
Investments Measured at the Net Asset Value (NAV)				
Hedge Funds	20,947,036			
Private Equity Limited Partnerships	14,293,642			
Other Limited Partnerships	27,154,449			
Total Investments Measured at the NAV	62,395,127			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	596,761,840			
UNC Investment Fund	8,603,883			
Total Investments as a Position in an External Investment Pool	605,365,723			
Total Investments Measured at Fair Value	$ 712,002,250			

Short-Term Investment Fund - Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The University's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

UNC Investment Fund - Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund's operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The University's position in the pool is measured and reported at fair value and the UNC Investment Fund is not required to be categorized within the fair value hierarchy.

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

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

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Long Only Equity Hedge Funds[A(a)]	$ 6,475,920	$ -	Monthly to Quarterly	8 to 30 days
Long/Short Hedge Funds[A(b)]	6,397,601	-	Monthly to Quarterly	10 to 90 days
Diversifying Hedge Funds[A(c)]	5,426,606	-	Quarterly	65 to 180 days
Credit-Based Commingled Hedge Funds[A(d)]	2,646,909	81,626	Semi-Monthly to Quarterly	5 to 90 days
Private Equity Limited Partnerships[B]	14,293,642	19,579,806	Ineligible	N/A
Other Limited Partnerships[C]	27,154,449	2,023,500	Daily to Ineligible	N/A to 30 days
Total Investments Measured at the NAV	$ 62,395,127			

A. **Hedge Funds** - For hedge funds, a combination of the following asset strategies is used:

(a) *Long Only Equity* - Long equity managers are characterized by managers who adopt an investment strategy to primarily hold long positions in publicly listed equity securities. The managers can from time to time use equity index futures, options on equity index futures, and specific risk options, as well as other types of derivative instruments.

(b) *Long/Short Equity* - Long/short equity primarily buy and/or sell short individual securities including where they believe the market has mispriced one or more securities relative to their fundamental intrinsic value. The managers can from time to time use equity index futures, options on equity index futures, and specific risk options as well as other types of derivative instruments.

(c) *Diversifying Strategies* - Diversifying strategy managers pursue strategies that tend to be uncorrelated with major equity market indices. Diversifying strategies managers may use derivatives such as fixed income and equity futures both as a hedging tool and to gain exposure to specific markets, as well as other types of derivative instruments. They may also enter into various swap agreements to manage exposure to specific securities and markets.

(d) *Fixed Income* - Fixed income managers generally pursue strategies that are focused on income generation and provide diversification to the portfolio. They may use futures and options on global fixed income and currency markets and may enter into various swap agreements as well as other types of derivative instruments.

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

C. **Other Limited Partnerships** - This type includes investments in eleven private limited liability entities. The limited liability funds holdings include fixed income, international equities, and stocks of small and medium sized companies. Each portfolio consists of a range of actively managed investments. The fair values of the investments in this type have been determined using the NAV per share of the investments. Nine of the funds have a 30-day or less redemption frequency and two funds do not permit redemptions for an extended period of time or until the underlying managers liquidate and disburse funds.

Component Units - Discretely presented component units' financial data are reported in separate financial statements because of their use of different reporting models. Complete financial statements including applicable disclosures for the East Carolina University Foundation, Inc. and Consolidated Affiliates, can be obtained from the University Financial Services Office, 2200 Charles Blvd., Suite 2900, Greenville, NC 27858, or by calling (252) 737-1133. Complete financial statements including applicable disclosures for the East Carolina University Medical and Health Sciences Foundation, Inc., can be obtained from the ECU Medical and Health Sciences Foundation Office, 690 Medical Dr., Greenville, NC 27835, or by calling (252) 847-5626.

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, a majority of the University's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from eligible University endowment funds are based on an adopted spending policy which provides a distribution of 4% of the endowment fund's

thirty-six month weighted average balance. The annual payout each fiscal year end is communicated to departments in the fall of the following fiscal year and posted to their expendable funds in the fall of the fiscal year following the communication. To the extent that the total return for the current year exceeds the payout and a 1.5% administrative fee, the excess is added to accumulated earnings unless donor restrictions require that it be added to the principal. If current year earnings do not meet the payout requirements, to the extent possible the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2026, net appreciation of $55,070,172 was available to be spent, all of which was classified in net position as restricted for scholarships, research, instruction, and other as it is restricted for specific purposes.

Note 5 - Receivables

Receivables at June 30, 2026, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 8,669,637	$ 2,000,000	$ 6,669,637
Student Sponsors	415,162	-	415,162
Accounts	4,549,525	-	4,549,525
Intergovernmental	3,186,745	-	3,186,745
Patients	137,685,396	71,367,145	66,318,251
Investment Earnings	51,189	-	51,189
Interest on Loans	66,564	-	66,564
Grant Sponsors	7,742,875	-	7,742,875
Other	623,524	130,158	493,366
Total Current Receivables	$ 162,990,617	$ 73,497,303	$ 89,493,314
Noncurrent Receivables:			
Athletic Seat Rights	$ 5,425,850	$ -	$ 5,425,850
Patients	2,954,929	-	2,954,929
Total Noncurrent Receivables	$ 8,380,779	$ -	$ 8,380,779
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 245,487	$ 41,974	$ 203,513
Institutional Student Loan Programs	500	-	500
Total Notes Receivable - Current	$ 245,987	$ 41,974	$ 204,013
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 1,413,518	$ 256,395	$ 1,157,123

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 (as Restated)	Increases	Decreases	Balance June 30, 2026
Capital Assets, Nondepreciable:				
Land	$ 53,026,381	$ 1,567,851	$ -	$ 54,594,232
Construction in Progress	87,444,030	143,360,282	13,638,232	217,166,080
Total Capital Assets, Nondepreciable	140,470,411	144,928,133	13,638,232	271,760,312
Capital Assets, Depreciable:				
Buildings	1,287,848,579	1,740,236	593,326	1,288,995,489
Machinery and Equipment	218,677,286	9,695,887	15,377,620	212,995,553
General Infrastructure	218,449,690	11,777,713	139,672	230,087,731
Computer Software	13,335,538	-	400,650	12,934,888
Right-to-Use Leased Buildings	29,744,418	2,633,490	1,187,103	31,190,805
Right-to-Use Leased Machinery and Equipment	3,198,447	517,368	623,957	3,091,858
Right-to-Use Subscription Assets	72,148,059	7,945,689	988,084	79,105,664
Total Capital Assets, Depreciable	1,843,402,017	34,310,383	19,310,412	1,858,401,988
Less Accumulated Depreciation/Amortization for:				
Buildings	393,943,359	19,348,775	459,122	412,833,012
Machinery and Equipment	133,629,528	14,721,842	13,980,902	134,370,468
General Infrastructure	63,691,770	5,688,936	100,721	69,279,985
Computer Software	11,843,537	585,863	373,940	12,055,460
Right-to-Use Leased Buildings	14,940,270	3,911,468	971,266	17,880,472
Right-to-Use Leased Machinery and Equipment	1,922,453	518,289	518,364	1,922,378
Right-to-Use Subscription Assets	33,024,664	16,265,864	593,913	48,696,615
Total Accumulated Depreciation/Amortization	652,995,581	61,041,037	16,998,228	697,038,390
Total Capital Assets, Depreciable, Net	1,190,406,436	(26,730,654)	2,312,184	1,161,363,598
Capital Assets, Net	$ 1,330,876,847	$ 118,197,479	$ 15,950,416	$ 1,433,123,910

As of June 30, 2026, the total amount of right-to-use leased assets was $34,282,663 and the related accumulated amortization was $19,802,850.

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	$ 18,507,376
Accounts Payable - Capital Assets	15,450,585
Accrued Payroll	20,343,578
Contract Retainage	7,273,282
Other	1,532,550
Total Current Accounts Payable and Accrued Liabilities	$ 63,107,371

Note 8 - Long-Term Liabilities

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2026, is presented as follows:

	Balance June 30, 2025	Additions	Reductions	Balance June 30, 2026	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 320,215,000	$ 35,170,000	$ 29,855,000	$ 325,530,000	$ 12,915,000
Bonds from Direct Placements	19,900,000	-	2,445,000	17,455,000	2,495,000
Plus: Unamortized Premium	15,183,740	1,251,606	4,599,694	11,835,652	-
Less: Unamortized Discount	2,996,028	-	2,996,028	-	-
Total Long-Term Debt	352,302,712	36,421,606	33,903,666	354,820,652	15,410,000
Other Long-Term Liabilities					
Arbitrage Rebate Payable	73,486	-	73,486	-	-
Lease Liabilities	16,786,295	3,150,858	4,682,629	15,254,524	4,160,952
Subscription (SBITA) Liabilities	36,891,051	6,803,589	16,319,858	27,374,782	12,635,454
Employee Benefits					
Compensated Absences	26,757,266	-	110,486	26,646,780	2,719,554
Net Pension Liability	202,212,095	-	46,839,622	155,372,473	-
Net Other Postemployment Benefits Liability	756,845,778	-	273,598,169	483,247,609	-
Workers' Compensation	4,952,932	207,987	1,049,463	4,111,456	1,264,430
Total Other Long-Term Liabilities	1,044,518,903	10,162,434	342,673,713	712,007,624	20,780,390
Total Long-Term Liabilities, Net	$ 1,396,821,615	$ 46,584,040	$ 376,577,379	$ 1,066,828,276	$ 36,190,390

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 9.
Additional information regarding the net pension liability is included in Note 13.
Additional information regarding the net other postemployment benefits liability is included in Note 14.
Additional information regarding workers' compensation is included in Note 15.

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

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2026
Revenue Bonds Payable					
General Revenue Bonds Payable					
West Facility Student Center	2015A	3.0-5.0	10/01/2044	$ 29,955,000	$ 23,100,000
Refunding of 2009A Bonds Dining Project Croatan	2015A	3.0-5.0	10/01/2029	5,164,922	2,259,138
Refunding of 2009A Bonds Scott Residence Hall	2015A	3.0-5.0	10/01/2034	24,248,294	15,605,248
Refunding of 2009A Bonds Softball Field Project	2015A	3.0-5.0	10/01/2034	3,946,784	2,535,614
Refunding of 2006A Bonds College Hill Dormitory	2015A	3.0-5.0	10/01/2033	2,930,000	1,605,000
East Union Project	2016A	2.25-5.0	10/01/2045	102,730,000	65,805,000
Housing Projects (White, Clement, & Greene)	2016A	2.25-5.0	10/01/2045	37,190,000	25,195,000
Dowdy Ficklen Stadium Renovation	2018A	3.0-5.0	10/01/2047	51,685,000	44,645,000
Greene Residence Hall	2018A	3.0-5.0	10/01/2047	24,110,000	20,640,000
Refunding of 2010B Bonds Tyler Dorm Project (BAB)	2020	1.5-4.0	10/01/2030	6,121,043	3,344,782
Refunding of 2010B Bonds Olympic Sports Facility (BAB)	2020	1.5-4.0	10/01/2035	10,718,957	7,635,218
Refunding of 2014A Bonds Gateway East and West Housing Project	2021	1.2-3.0	10/01/2043	50,100,000	44,050,000
Housing Projects (Legacy Hall and Jones Hall)	2025	4.0-6.0	10/01/2054	33,940,000	33,940,000
Housing Projects (Legacy Hall and Jones Hall)	2026	4.0-5.0	10/01/2055	19,075,000	19,075,000
Refunding of 2016A East Union and Housing Projects	2026	4.0-5.0	10/01/2030	16,095,000	16,095,000
Total General Revenue Bonds Payable				418,010,000	325,530,000
Bonds from Direct Placements					
Refunding of 2010A Pool Bonds East End Zone Project	2017A	2.19	10/01/2029	12,490,000	5,335,000
Refunding of Gen Rev Ref 2012 Bond - 2004C College Hill Bonds	2017B	1.99	10/01/2026	4,814,783	1,160,000
Refunding of Gen Rev Ref 2013A Bonds - 2004C College Hill Bonds	2023	2.22	10/01/2033	11,165,000	10,960,000
Total Bonds from Direct Placements				28,469,783	17,455,000
Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)				$ 446,479,783	342,985,000
Plus: Unamortized Premium					11,835,652
Total Revenue Bonds Payable and Bonds from Direct Placements, Net					$ 354,820,652

C. 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	
Fiscal Year	Principal	Interest	Principal	Interest
2027	$ 12,915,000	$ 11,142,805	$ 2,495,000	$ 357,066
2028	13,555,000	10,906,505	2,780,000	300,239
2029	14,070,000	10,381,201	2,835,000	238,312
2030	14,640,000	9,828,395	2,905,000	175,006
2031	14,590,000	9,236,817	1,560,000	125,652
2032-2036	74,300,000	38,906,401	4,880,000	164,168
2037-2041	71,950,000	27,204,640	-	-
2042-2046	76,470,000	13,727,233	-	-
2047-2051	20,230,000	4,459,419	-	-
2052-2056	12,810,000	1,274,087	-	-
Total Requirements	$ 325,530,000	$ 137,067,503	$ 17,455,000	$ 1,360,443

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

Revenue Bonds Payable and Bonds From Direct Placements - The University's outstanding revenue bonds of $325,530,000 and bonds from direct placements of $17,455,000 contain provisions that in the event of failure to pay in full any payments when due, the debt becomes immediately due and payable.

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

On May 28, 2026, the University issued $35,170,000 in General Revenue Bonds, Series 2026. The 2026 bonds included $16,095,000 in refunding bonds with a true interest cost of 2.78%. The bonds were issued for a current refunding of $16,795,000 of outstanding General Revenue Bonds, Series 2016A with an average interest rate of 4.60%. The refunding was undertaken to reduce total debt service payments by $730,169 over the next five years and resulted in an economic gain of $666,673.

Note 9 - Leases and Subscription-Based Information Technology Arrangements

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

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

During the year ended June 30, 2026, the University recognized operating revenues related to lessor arrangements totaling $247,144, and nonoperating lease interest income totaling $192,788.

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 Range
Lessor:					
Land	4	$ 9,465,139	$ 1,601,666	41 years	3.66% - 4.28%

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

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

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

The University had commitments under leases before commencement of the lease term as follows: As of June 30, 2026, the University entered into a non-cancelable five-year lease agreement for the right-to-use office space that has not yet commenced. Lease commencement is contingent upon the completion of facility renovations and is expected to occur in October 2026. Upon commencement, total lease payments over the lease term are expected to be approximately $1,040,137. No lease asset or lease liability has been recognized as of June 30, 2026, because the lease has not yet commenced.

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	11	$ 14,121,766	$ 3,663,803	6 years	0.70% - 2.68%
Right-to-Use Leased Machinery and Equipment	4	1,132,758	497,149	6 years	0.70% - 4.12%
Total	15	$ 15,254,524	$ 4,160,952		

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

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

Measurement of the subscription liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the subscription liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of $100,000 for these changes in variable payments not previously included in the measurement of the subscription liability.

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	Interest Rate Range
Right-to-Use Subscription Assets	63	$ 27,374,782	$12,635,454	2-8 years	2.07% - 3.33%

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	$ 4,160,952	$ 209,064	$ 12,635,454	$ 745,226
2028	3,416,562	159,383	8,385,273	426,002
2029	2,841,370	110,696	5,445,400	184,920
2030	2,734,385	65,654	763,803	24,342
2031	1,719,865	22,805	144,852	4,173
2032-2036	381,390	2,554	-	-
Total Requirements	$ 15,254,524	$ 570,156	$ 27,374,782	$ 1,384,663

Note 10 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (102,403,920)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(589,587,714)
Effect on Unrestricted Net Position	(691,991,634)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	423,921,697
Total Unrestricted Net Position	$ (268,069,937)

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

Note 11 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Less Indigent Care and Contractual Adjustments	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 270,690,183	$ 79,310,347	$ 1,466,327	$ -	$ 189,913,509
Patient Services, Net	$ 694,987,470	$ -	$ 13,115,873	$ 349,013,172	$ 332,858,425
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	$ 34,020,795	$ 8,267,781	$ -	$ -	$ 25,753,014
Dining	37,389,203	2,604,998	-	-	34,784,205
Health, Physical Education, and Recreation Services	2,196,377	-	-	-	2,196,377
Bookstore	1,300,266	-	-	-	1,300,266
Parking	4,866,313	-	-	-	4,866,313
Athletic	27,085,820	-	-	-	27,085,820
Other	2,071,322	-	-	-	2,071,322
Sales and Services of Education and Related Activities	12,517,212	-	-	-	12,517,212
Total Sales and Services, Net	$ 121,447,308	$ 10,872,779	$ -	$ -	$ 110,574,529

Note 12 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 263,641,493	$ 39,164,062	$ -	$ 79,582	$ -	$ 302,885,137
Research	22,202,591	15,533,183	-	1,353	-	37,737,127
Public Service	22,901,790	11,456,001	-	15,942	-	34,373,733
Academic Support	22,581,226	21,560,526	-	14,228	-	44,155,980
Student Services	12,918,758	2,990,719	-	-	-	15,909,477
Institutional Support	59,554,299	21,387,189	-	67,790	-	81,009,278
Operations and Maintenance of Plant	30,946,306	34,583,189	-	19,255,244	-	84,784,739
Student Financial Aid	-	-	27,231,248	-	-	27,231,248
Auxiliary Enterprises	215,043,186	193,235,199	-	726,912	-	409,005,297
Depreciation/Amortization	-	-	-	-	61,041,037	61,041,037
Total Operating Expenses	$ 649,789,649	$339,910,068	$27,231,248	$20,161,051	$ 61,041,037	$ 1,098,133,053

Note 13 - 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 $14,081,735, and the University's contributions were $40,226,822 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 $155,372,473 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 1.32135%, which was a decrease of 0.04341 from its proportion measured as of June 30, 2024, which was 1.36476%.

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%)
$ 325,160,254	$ 155,372,473	$ 15,384,399

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 $36,731,307. 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	$ 18,417,465	$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,997,372
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,820,929	3,499,291
Contributions Subsequent to the Measurement Date	40,226,822	-
Total	$ 61,465,216	$ 8,496,663

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 Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year Ending June 30:	Amount
2027	$ 37,046,306
2028	(5,474,042)
2029	(11,143,103)
2030	(7,687,430)
Total	$ 12,741,731

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 $482,527,158, of which $247,831,581 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $14,869,895 and $16,951,680, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions.

Note 14 - Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 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 15. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the 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 $35,369,241 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 $6,458.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part

of the State's reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. 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 $337,769 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 $483,247,609 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 2.19864%, which was a decrease of 0.02655 from its proportion measured as of June 30, 2024, which was 2.22519%.

Disability Income Plan of North Carolina: At June 30, 2026, the University reported an asset of $1,529,418 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 2.34042%, which was a decrease of 0.05752 from its proportion measured as of June 30, 2024, which was 2.39794%.

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	$ 568,557,047	$ 483,247,609	$ 413,396,262
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	$ (1,455,928)	$ (1,529,418)	$ (1,607,166)

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	$ 402,748,546	$ 483,247,609	$ 584,761,112

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	$ (34,095,581)
DIPNC	51,383
Total OPEB Expense	$ (34,044,198)

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	$ 3,899,756	$ 238,887	$ 4,138,643
Changes of Assumptions	129,308,346	-	129,308,346
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	877,561	188,334	1,065,895
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	82,938	82,938
Contributions Subsequent to the Measurement Date	35,369,241	337,769	35,707,010
Total	$ 169,454,904	$ 847,928	$ 170,302,832

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ -	$ 697,515	$ 697,515
Changes of Assumptions	254,889,670	198,538	255,088,208
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	20,905,339	11,168	20,916,507
Total	$ 275,795,009	$ 907,221	$ 276,702,230

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	$ (53,264,129)	$ (391,527)
2028	(12,061,007)	(68,441)
2029	(20,749,886)	41,836
2030	(55,634,324)	21,070
Total	$ (141,709,346)	$ (397,062)

Note 15 - Risk Management

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the University for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 14, long-term disability benefits are payable as other

postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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. The only exception to this would be certain properties scheduled for demolition, which are allowed to be covered for demolition and debris removal. Losses covered by the Fund are subject to a $50,000 per occurrence 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 and the contents deductible moves to $100,000 per location.

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, payable through the North Carolina Association of Insurance Agents.

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

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

5. Other Insurance Held by the University

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

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

The University (Brody School of Medicine) provides medical malpractice insurance for Brody School of Medicine medical students, faculty physicians, nurse practitioners, physician assistants, certified nurse midwives and other clinical staff. Effective March 30, 2024, each individual faculty physician, physician assistant, nurse practitioner and certified nurse midwife has coverage of $7,000,000 per occurrence with $16,000,000 annual aggregate coverage. The primary layer of medical malpractice insurance includes a $200,000 per claim deductible with an annual aggregate of $1,000,000. There is also a shared, excess policy in the amount of $10,000,000 per occurrence and in aggregate. Both the primary and excess policies of medical malpractice insurance are provided by the Channel Marker Insurance Company, SPC, and purchased with the approval of the North Carolina Department of Insurance. Additionally, Channel Marker provides a shared blanket general liability policy for all other clinical employees of the Brody School of Medicine with coverage of $3,000,000 per claim and $5,000,000 annual aggregate.

Note 16 - Commitments and Contingencies

A. **Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $186,628,537 and on other purchases were $46,321,306 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 17 - Related Parties

The East Carolina University Educational Foundation, Inc. is a separately incorporated nonprofit foundation associated with the University.

The organization serves 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 foundation, except for support from the organization to the University. This support approximated $9,553,107 for the year ended June 30, 2026. The University had receivables from the related party of $84,777 as of June 30, 2026.

Note 18 - 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 19 - Net Position Restatements

As of July 1, 2025, proprietary net position as previously reported was restated as follows:

	Amount
July 1, 2025 Proprietary Net Position as Previously Reported	$ 772,635,081
Restatements:	
Correction of Capital Asset Classification and Related Depreciation	(102,720)
Correction of Capitalized Expenses	(653,986)
July 1, 2025 Proprietary Net Position as Restated	$ 771,878,375

During fiscal year 2026, the University identified expenses related to the Mendenhall Phase 2 project that were classified as construction in progress but should have been transferred to buildings and depreciated in the prior year. This resulted in nondepreciable capital assets to be overstated by $10,271,958, depreciable assets to be understated by $10,271,958, and depreciation expense to be understated by $102,720, resulting in a net position restatement to net investment in capital assets for $102,720.

During fiscal year 2025, the University incorrectly capitalized expenses as construction in progress that should have been expensed. This resulted in nondepreciable capital assets to be overstated by $653,986 and supplies and services to be understated by $653,986, resulting in a net position restatement to net investment in capital assets for $653,986.

As of July 1, 2025, net position as previously reported was adjusted as follows:

	Fiduciary Fund	East Carolina University Medical and Health Sciences Foundation, Inc.
July 1, 2025 Net Position as Previously Reported	$ 27,409,619	$ -
Adjustment:		
Adjust Net Position for Change to the Financial Reporting Entity	(4,272,253)	94,322,604
July 1, 2025 Net Position as Adjusted	$ 23,137,366	$ 94,322,604

The University determined that East Carolina University Medical and Health Sciences Foundation, Inc. should be presented separately as a component unit based on GASB Statement No. 39 and its significance to the University's financial statements beginning with fiscal year 2026. Accordingly, amounts previously reported within the University's fiduciary funds are now presented as a discretely presented component unit. This change results in a decrease of $4,272,253 in beginning fiduciary fund net position. The beginning net position for East Carolina University Medical and Health Sciences Foundation, Inc. is $94,322,604, which was previously excluded from the discretely presented component unit financial statements. This adjustment has no effect on the July 1, 2025 net position of the University's proprietary fund.



Required Supplementary Information

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

Exhibit D-1

Teachers' and State Employees' Retirement System	2026	2025	2024	2023	2022
Proportionate Share Percentage of Collective Net Pension Liability	1.32135%	1.36476%	1.32266%	1.24293%	1.32398%
Proportionate Share of TSERS Collective Net Pension Liability	$ 155,372,473	$ 202,212,095	$ 220,513,650	$ 184,478,629	$ 61,996,701
Covered Payroll	$ 246,205,630	$ 242,113,965	$ 227,481,885	$ 210,189,397	$ 209,041,007
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	63.11%	83.52%	96.94%	87.77%	29.66%
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	1.36726%	1.40030%	1.41399%	1.38227%	1.33500%
Proportionate Share of TSERS Collective Net Pension Liability	$ 165,192,312	$ 145,168,499	$ 140,778,103	$ 109,675,398	$ 122,700,291
Covered Payroll	$ 220,372,744	$ 216,897,740	$ 207,352,661	$ 199,309,636	$ 193,108,255
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	74.96%	66.93%	67.89%	55.03%	63.54%
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.

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

Exhibit D-2

Teachers' and State Employees' Retirement System	2026	2025	2024	2023	2022
Contractually Required Contribution	$ 40,226,822	$ 41,337,925	$ 42,708,904	$ 39,536,352	$ 34,429,023
Contributions in Relation to the Contractually Determined Contribution	40,226,822	41,337,925	42,708,904	39,536,352	34,429,023
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 234,695,577	$ 246,205,630	$ 242,113,965	$ 227,481,885	$ 210,189,397
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	$ 30,896,261	$ 28,582,345	$ 26,656,732	$ 22,352,617	$ 19,891,102
Contributions in Relation to the Contractually Determined Contribution	30,896,261	28,582,345	26,656,732	22,352,617	19,891,102
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 209,041,007	$ 220,372,744	$ 216,897,740	$ 207,352,661	$ 199,309,636
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.

East Carolina University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 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 13 for more information on the specific assumptions for the plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

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

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

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

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2025 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

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

Retiree Health Benefit Fund	2026	2025	2024	2023	2022
Proportionate Share Percentage of Collective Net OPEB Liability	2.19864%	2.22519%	2.23472%	2.25405%	2.34393%
Proportionate Share of Collective Net OPEB Liability	$ 483,247,609	$ 756,845,778	$ 595,494,706	$ 535,266,896	$ 724,638,339
Covered Payroll	$ 492,670,554	$ 480,576,519	$ 447,234,830	$ 422,848,709	$ 419,278,004
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	98.09%	157.49%	133.15%	126.59%	172.83%
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	2.42664%	2.43634%	2.42398%	2.27894%	2.61367%
Proportionate Share of Collective Net OPEB Liability	$ 673,169,944	$ 770,846,234	$ 690,547,382	$ 747,188,074	$ 1,137,035,289
Covered Payroll	$ 437,186,008	$ 432,020,151	$ 415,110,052	$ 398,444,199	$ 384,271,288
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	153.98%	178.43%	166.35%	187.53%	295.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%

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

Disability Income Plan of North Carolina	2026	2025	2024	2023	2022
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	2.34042%	2.39794%	2.30832%	2.24239%	2.30302%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (1,529,418)	$ (789,546)	$ 613,921	$ 667,066	$ (376,175)
Covered Payroll	$ 492,670,554	$ 480,576,519	$ 447,234,830	$ 422,848,709	$ 419,278,004
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)	2.48275%	2.50656%	2.52753%	2.45914%	2.42370%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (1,221,364)	$ (1,081,581)	$ (767,763)	$ (1,503,026)	$ (1,505,118)
Covered Payroll	$ 437,186,008	$ 432,020,151	$ 415,110,052	$ 398,444,199	$ 384,271,288
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.

East Carolina 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	$ 35,369,241	$ 34,437,672	$ 34,313,163	$ 30,814,480	$ 26,597,184
Contributions in Relation to the Contractually Determined Contribution	35,369,241	34,437,672	34,313,163	30,814,480	26,597,184
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 482,527,158	$ 492,670,554	$ 480,576,519	$ 447,234,830	$ 422,848,709
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	$ 28,007,771	$ 28,285,935	$ 27,087,663	$ 25,114,158	$ 23,149,608
Contributions in Relation to the Contractually Determined Contribution	28,007,771	28,285,935	27,087,663	25,114,158	23,149,608
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 419,278,004	$ 437,186,008	$ 432,020,151	$ 415,110,052	$ 398,444,199
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%

East Carolina 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	$ 337,769	$ 640,472	$ 528,634	$ 447,235	$ 380,564
Contributions in Relation to the Contractually Determined Contribution	337,769	640,472	528,634	447,235	380,564
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 482,527,158	$ 492,670,554	$ 480,576,519	$ 447,234,830	$ 422,848,709
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	$ 377,350	$ 437,186	$ 604,828	$ 581,154	$ 1,514,088
Contributions in Relation to the Contractually Determined Contribution	377,350	437,186	604,828	581,154	1,514,088
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 419,278,004	$ 437,186,008	$ 432,020,151	$ 415,110,052	$ 398,444,199
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.

East Carolina University
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 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 14 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 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
East Carolina University
Greenville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of East Carolina University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component 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 18, 2026. Our report includes a reference to other auditors who audited the financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliates and East Carolina University Medical and Health Sciences Foundation, Inc., as described in our report on the University's financial statements. The financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliates and East Carolina University Medical and Health Sciences Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with East Carolina University Foundation, Inc. and Consolidated Affiliates and East Carolina University Medical and Health Sciences Foundation, Inc.

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 18, 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
Fax: 919-807-7647
Internet: www.auditor.nc.gov

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

Telephone:1-800-730-8477

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

This audit required 1,015 hours at an approximate cost of $142,100.