

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 18, 2026

**NEW ISSUE
BOOK-ENTRY ONLY**

**Ratings: Moody's: A2
See "RATINGS" herein**

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, (1) assuming compliance by the Board and the University with certain requirements of the Internal Revenue Code of 1986, as amended, (the "Code"), interest on the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the 2026 Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.



\$27,845,000*

**THE UNIVERSITY OF NORTH CAROLINA AT ASHEVILLE
GENERAL REVENUE REFUNDING BONDS, SERIES 2026**

of

THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

The University of North Carolina at Asheville General Revenue Refunding Bonds, Series 2026 (the "2026 Bonds") are limited obligations of the Board of Governors of The University of North Carolina (the "Board"), payable solely from Available Funds (as defined herein) of The University of North Carolina at Asheville (the "University"). THE 2026 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF NORTH CAROLINA OR OF ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR OF ANY POLITICAL SUBDIVISION OR INSTRUMENTALITY THEREOF IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2026 BONDS.

Interest on the 2026 Bonds is payable on each June 1 and December 1, commencing June 1, 2026. Principal and redemption price of, and interest on, the 2026 Bonds will be paid by U.S. Bank Trust Company, National Association, as trustee (the "Trustee") to Cede & Co. as nominee for DTC. The 2026 Bonds are subject to redemption before their maturities as set forth herein. The 2026 Bonds are being issued to refund a portion of The University of North Carolina at Asheville General Revenue Bonds, Series 2017 funds and pay the costs of issuing the 2026 Bonds. The 2026 Bonds will be issued under and secured by a General Trust Indenture dated as of September 1, 2002 between the Board and the Trustee and Series Indenture, Number 9 dated as of April 1, 2026 between the Board and the Trustee.

The 2026 Bonds are offered when, as and if issued and accepted by the underwriter, subject to prior sale, modification or withdrawal of the offer without notice, and subject to the approval of validity and certain other matters by Parker Poe Adams & Bernstein LLP. Certain legal matters will be passed on for the Board and for the University by or on behalf of Hon. Jeffrey Jackson, Attorney General of the State of North Carolina. First Tryon Advisors is serving as financial advisor to the University in connection with the issuance and sale of the 2026 Bonds. It is expected that delivery of the 2026 Bonds will be made on or about April 15, 2026, through the facilities of DTC against payment therefor. See Appendix E, "**BOOK-ENTRY ONLY SYSTEM**".

April __, 2026

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. The 2026 Bonds may not be sold nor may offers be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2026 Bonds in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

MATURITY SCHEDULE*
(BASE CUSIP NUMBER 914710)¹

\$27,845,000* SERIAL 2026 BONDS

DUE JUNE 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP No. ¹	DUE JUNE 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP No. ¹
2027	\$ 100,000				2035	\$1,815,000			
2028	1,170,000				2036	1,905,000			
2029	1,355,000				2037	2,005,000			
2030	1,425,000				2038	2,105,000			
2031	1,495,000				2039	2,210,000			
2032	1,575,000				2040	2,320,000			
2033	1,645,000				2041	2,435,000			
2034	1,730,000				2042	2,555,000			

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright © 2026 CUSIP Global Services. All rights reserved. The CUSIP data herein is provided solely for the convenience of reference only. None of the Board, the University, the Underwriter or the Trustee is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the 2026 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2026 Bonds as a result of various subsequent actions.

* Preliminary; subject to change.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 2026 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the 2026 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the 2026 Bonds implies that the information herein is correct as of any date subsequent to the date hereof.

The information contained herein has been obtained from sources believed to be reliable and is in form deemed final by the Board for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)). The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

Neither the 2026 Bonds nor the Indentures (as hereinafter defined) have been registered or qualified with the Securities and Exchange Commission. The registration or qualification of the 2026 Bonds and the Indentures in accordance with applicable provisions of securities laws of the states in which the 2026 Bonds have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2026 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Board since the date hereof.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE BOARD NOR THE UNIVERSITY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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OFFICIAL STATEMENT

Relating to

\$27,845,000*

***The University of North Carolina at Asheville
General Revenue Refunding Bonds, Series 2026***

of

The Board of Governors of the University of North Carolina

The purpose of this Official Statement, which includes the appendices hereto, is to furnish information in connection with the sale by the Board of Governors (the “*Board*”) of the University of North Carolina of \$27,845,000* aggregate principal amount of The University of North Carolina at Asheville General Revenue Refunding Bonds, Series 2026 (the “*2026 Bonds*”).

INTRODUCTION

The 2026 Bonds will be issued under and secured by a General Trust Indenture dated as of September 1, 2002 (the “*General Indenture*”) between the Board and U.S. Bank Trust Company, National Association, as successor trustee (the “*Trustee*”) and Series Indenture, Number 9 dated as of April 1, 2026 between the Board and the Trustee (the “*Ninth Series Indenture*,” and collectively with the General Indenture, the “*Indentures*”) and the Constitution and laws of the State of North Carolina (the “*State*”), including Section 116D-21 et. seq. of the General Statutes of North Carolina (the “*Act*”).

THE 2026 BONDS

The 2026 Bonds are being issued on behalf of The University of North Carolina at Asheville (the “*University*” or “*UNC Asheville*”) to refund a portion of The University of North Carolina at Asheville General Revenue Bonds, Series 2017 (the “*Refunded Bonds*”) and pay certain costs incurred in connection with the issuance of the 2026 Bonds. See “**THE PLAN OF REFUNDING**” herein. The proceeds of the Refunded Bonds were used to finance the construction, equipping and furnishing of a new residence hall and the renovation of the student center on UNC Asheville’s campus.

LIMITED OBLIGATIONS

The 2026 Bonds are limited obligations of the Board, payable solely from Available Funds. Debt payable from the University’s Available Funds (the “*Existing Available Funds Obligations*”), has been issued prior to the date of issuance of the 2026 Bonds. See the caption “**PRINCIPAL AND INTEREST REQUIREMENTS FOR UNIVERSITY DEBT**” herein. Additional bonds (the “*Bonds*”) payable solely from Available Funds may be issued under the General Indenture, under the conditions and limitations set forth therein and as described under “**SECURITY FOR THE 2026 BONDS—ADDITIONAL INDEBTEDNESS**” herein.

* Preliminary; subject to change.

The 2026 Bonds do not constitute a debt or liability of the State or of any political subdivision thereof, and neither the faith and credit nor the taxing power of the State or of any political subdivision or instrumentality thereof is pledged for the payment of the principal of, or interest on the 2026 Bonds. The 2026 Bonds do not directly, indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any taxes whatsoever therefor.

BONDHOLDER RISKS

Certain external events beyond the control of the Board and the University, such as pandemics and other public health issues, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the University's ability to conduct its operations.

There are a number of factors affecting institutions of higher education, including the University, that could have an adverse effect on the University's financial position and its ability to pay debt service on its bonds. Without intending to limit the generality of the foregoing, these factors include: demographic trends; competition from other educational institutions; an economic downturn; shortfalls in sources of University revenue other than tuition and fees, such as fundraising campaigns and other general donor contributions, grants or appropriations from governmental agencies (including changes in federally guaranteed student financial aid programs), private sponsors; changes in college athletics and associated revenue streams; a decrease in student loan opportunities that may impact enrollment; investment losses in endowment and other funds; losses not covered by insurance; increasing costs of compliance with governmental regulations, and costs of compliance with the changes in such regulations; and future legislation, regulatory, and judicial or administrative determinations affecting conditions that are unpredictable.

Federal policies, regulations and laws with respect to federal grants, the debt ceiling, taxes, trade and other topics are subject to change based on legislative and executive branch priorities. Examples include reductions in federal funding for research through direct and indirect costs. Federal funding, including federal research funding, is subject to federal legislative action, including through the federal budget process and sequestration. Budgetary acts, including sequestration, could continue to affect the availability of federal funds. Executive actions, including actions seeking to pause, reduce, eliminate or reallocate federal grant, loan and other financial assistance, also could affect the availability of federal funds. Proposed and potential federal legislative and executive actions and initiatives could impact the University, its operations and its financial condition.

All or a portion of interest on the 2026 Bonds could become subject to federal income tax as a result of changes of law. Current and future legislative proposals, if enacted into law, clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may cause interest on the 2026 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

See also “**Cybersecurity**” in APPENDIX A hereto.

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ADDITIONAL INFORMATION

This Official Statement includes financial and other information about the Board and UNC Asheville and also contains descriptions of the 2026 Bonds and the Indentures. Capitalized terms used herein are defined in Appendix C hereto or in the Indentures. All references herein to the General Indenture, the Ninth Series Indenture, the 2026 Bonds and other documents and agreements are qualified in their entirety by reference to such documents and agreements, which may be obtained on (1) written request to the University's Office of Budget and Finance, Office of Administration and Finance, 203 Phillips Hall, CPO 1420, One University Heights, Asheville, North Carolina 28804-8503, Attention: Vice Chancellor and (2) payment of duplicating costs.

The Board has agreed to provide, or cause the University to provide, continuing disclosure of annual financial information and operating data and material events regarding the 2026 Bonds. See **“CONTINUING DISCLOSURE OBLIGATION”** herein.

If the purchaser of the 2026 Bonds elects to obtain bond insurance for the 2026 Bonds, the Board will, upon the purchaser's request, include in the Final Official Statement the bond insurer's standard language about the bond insurer and the bond insurance policy; however, the Board and the University will disclaim any representation as to the accuracy of such language. The Board will not agree to any additional terms or provisions in the documents for the 2026 Bonds.

PROFESSIONALS

Parker Poe Adams & Bernstein LLP is Bond Counsel, and will submit its approving opinion with regard to the legality of the 2026 Bonds. First Tryon Advisors is serving as financial advisor to the University in connection with the issuance and sale of the 2026 Bonds. U.S. Bank Trust Company, National Association, through its corporate trust office in Charlotte, North Carolina, will serve as trustee, paying agent and registrar (in such capacities, the *“Trustee,”* the *“Paying Agent”* and the *“Registrar”*) for the 2026 Bonds.

SECURITY FOR THE 2026 BONDS

GENERAL

The 2026 Bonds are payable from Available Funds. *“Available Funds”* is defined in the General Indenture as any legally available funds of UNC Asheville, or the Board held for UNC Asheville, in each Fiscal Year, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by UNC Asheville students, (3) funds whose purpose has been restricted by the terms of the gift, grant or payee thereof, (4) revenues generated by Special Facilities and (5) funds restricted by law. The Available Funds are not pledged to the Trustee, but rather are the source from which principal and interest on the Bonds will be paid. The amount of Available Funds, using the definition above, for the fiscal years ended June 30, 2021 through June 30, 2025 is set forth below.

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AVAILABLE FUNDS

	For the Fiscal Year Ended June 30		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Beginning Unrestricted Fund Balance ¹	\$19,530,268	\$13,715,222	\$12,296,185
Plus:			
Total Operating Revenues	37,270,601	39,932,681	33,084,505
Less Restricted Revenues	<u>(5,881,162)</u>	<u>(4,736,333)</u>	<u>(4,762,656)</u>
Unrestricted Operating Revenue	31,389,439	35,196,348	28,321,849
Unrestricted and Auxiliary Gifts	5,010,032	6,245,686	5,622,805
Unrestricted and Auxiliary Investment Income	490,189	794,044	1,119,172
CARES Act Institutional Funds Income	4,582,266	-	-
State Aid COVID - Institutional funds	774,120	208,866	231,283
State Aid Hurricane Helene Recovery Funds	-	-	8,576,162
State Aid Sports Wagering	-	-	2,014,020
Unrestricted Endowment Income (Loss)	815	40,766	26,842
Surplus Sales	<u>24,784</u>	<u>46,493</u>	<u>5,721</u>
Subtotal	<u>42,271,644</u>	<u>42,532,204</u>	<u>45,917,854</u>
Less:			
Tuition	<u>(11,171,513)</u>	<u>(12,770,062)</u>	<u>(7,335,644)</u>
TOTAL AVAILABLE FUNDS	<u><u>\$50,630,399</u></u>	<u><u>\$43,477,364</u></u>	<u><u>\$50,878,395</u></u>

¹ Beginning balance reflects adjustments to add back deductions to the University's unrestricted net position for GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which requires the University to recognize its proportionate share of the State's overall net pension liability, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pension, which requires the University to recognize its proportionate share of the State's overall liability for postemployment benefits, since they are non-cash items.

The estimated debt service on the Bonds, including the 2026 Bonds, is set forth under **"PRINCIPAL AND INTEREST REQUIREMENTS FOR UNIVERSITY DEBT"** herein.

ADDITIONAL INDEBTEDNESS

Under the terms of the General Indenture, neither the Board nor the University will issue:

(1) any other obligations under any bond resolution, trust indenture or other financing document which authorizes the issuance of debt obligations secured by revenues or net revenues from any University enterprise,

(2) any Bonds, except on the conditions and in the manner provided in the General Indenture,

(3) any other obligations, payable from Available Funds, unless (A) such obligations constitute Subordinate Indebtedness or Other Indebtedness, or (B)(i) such obligations are payable on a parity basis with the Bonds and (ii) the largest of the sums obtained for any Fiscal Year after totaling for each Fiscal Year the Principal and Interest Requirements on Other Indebtedness, the Principal and Interest Requirements on Subordinate Indebtedness and the Principal and Interest Requirements on parity obligations other than the Bonds (including the additional obligations to be issued), calculated in the manner that the Principal and Interest Requirements on the Bonds is calculated, does not exceed 10% of Available Funds in the most recent Fiscal Year for which audited financial statements of the University are available, or

(4) any obligations other than those described in clauses (1), (2) or (3), unless they are payable from a source other than Available Funds.

DESCRIPTION OF THE 2026 BONDS

GENERAL

The 2026 Bonds will be issuable in denominations of \$5,000 or integral multiples thereof (“*Authorized Denominations*”), and will be dated and bear interest from their dated date. The 2026 Bonds will bear interest (payable on each June 1 and December 1, commencing June 1, 2026) at the interest rates and will mature on the dates set forth on the inside cover page of this Official Statement.

The 2026 Bonds are payable at the corporate trust office of U.S. Bank Trust Company, National Association, as trustee and registrar, or other designated office, on presentation and surrender thereof. Interest on the 2026 Bonds will be paid, except as otherwise provided herein, by the Trustee by check or draft mailed on the Interest Payment Date to each Owner as its name and address appear on the register kept by the Registrar at the close of business on the 15th day of the month preceding each Interest Payment Date (the “*Record Date*”). At the written request of any Owner of at least \$1,000,000 in aggregate principal amount of the 2026 Bonds and while a book-entry system is in place with respect to the 2026 Bonds, principal and interest may be payable by wire transfer at the address specified in writing by such Owner by the Record Date.

Additional information about the 2026 Bonds and the Indentures is provided in Appendix C attached hereto and made a part hereof.

BOOK-ENTRY-ONLY FORM

The 2026 Bonds will be delivered initially only in book-entry form and, when delivered, will be registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of The Depository Trust Company (“*DTC*”), as nominee of DTC. DTC will act as the initial Securities Depository for the 2026 Bonds. For information concerning the book-entry-only system, see Appendix E hereto, “**BOOK-ENTRY-ONLY SYSTEM.**”

REDEMPTION

Optional Redemption. The 2026 Bonds maturing on or before June 1, 2036 are not subject to optional redemption before their maturities. The 2026 Bonds maturing on and after June 1, 2037 may be redeemed before their maturities, at the written direction of the Vice Chancellor, from any funds that may be available for such purpose, in whole or in part on or after June 1, 2036. The 2026 Bonds called for redemption will be redeemed at 100% of the principal amount of the 2026 Bonds to be so redeemed plus accrued interest to the redemption date.

Notice of Redemption. The Trustee will give notice of redemption by Electronic Means, by Mail, or by such other means as permitted by the rules and procedures of the addressee not less than 30 nor more than 60 days before the date of redemption (or as long as the Securities Depository is the owner of the 2026 Bonds, such shorter time as may be permitted by such Securities Depository's rules and procedures) (1) to each Owner of a 2026 Bond to be redeemed at the address shown on the registration books of the Registrar, and (2) to the Municipal Securities Rulemaking Board. The notice of redemption shall state (a) the redemption date; (b) the Redemption Price; (c) as to any 2026 Bonds redeemed in part only, the numbers of the 2026 Bonds (or other identifier) and the principal portion thereof to be redeemed; and (d) that interest on the principal portion of the 2026 Bonds designated for redemption shall cease to accrue from and after the redemption date and that on the redemption date there shall become due and payable on each of such 2026 Bonds the Redemption Price.

If at the time of mailing of the notice of redemption there is not on deposit with the Trustee money sufficient to redeem the 2026 Bonds called for redemption, such notice may state that it is conditional on the deposit of the redemption money with the Trustee on the date of redemption as set forth in the notice. Any notice, once given, may be withdrawn or modified by notice delivered in the same manner as the notice of redemption was given, on receipt by the Trustee of written instructions from the Board with respect to such withdrawal or modification.

Selection of 2026 Bonds for Redemption. In the case of any partial redemption of 2026 Bonds, the Board will select the maturity or maturities of 2026 Bonds to be redeemed, and DTC will select the 2026 Bonds within the appropriate maturity or maturities to be redeemed pursuant to its rules and procedures, or if the book-entry system with DTC or any other securities depository has been discontinued, the Trustee will select the 2026 Bonds within the appropriate maturity or maturities to be redeemed by lot in such manner as the Trustee in its discretion may deem proper.

2026 Bonds may be redeemed in part only in Authorized Denominations.

Effect of Call for Redemption. 2026 Bonds called for redemption are due and payable on the redemption date at the Redemption Price. If money sufficient to pay the Redemption Price of the 2026 Bonds to be redeemed are held by the Trustee, 2026 Bonds or portions thereof thus called and provided for will not bear interest after such redemption date and will not be considered to be Outstanding or to have any other rights under the General Indenture and the Ninth Series Indenture other than the right to receive payment. No payment of principal will be made by the Trustee on any 2026 Bonds or portions thereof called for redemption until such 2026 Bonds or portions thereof have been delivered for payment or cancellation or the Trustee has received the items required by the General Indenture with respect to any mutilated, lost, stolen or destroyed 2026 Bonds.

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PRINCIPAL AND INTEREST REQUIREMENTS FOR UNIVERSITY DEBT

As of June 30, 2025, the University had \$63,836,400 debt principal outstanding, payable from Available Funds. The following table sets forth for each respective fiscal year the debt service amounts required in such year for the payment of principal and interest on Bonds.¹

FISCAL YEAR ENDING JUNE 30	DEBT SERVICE ON EXISTING PARITY OBLIGATIONS ¹	2026 BONDS		TOTAL DEBT SERVICE
		PRINCIPAL	INTEREST	
2026	\$5,975,137			
2027	5,966,061			
2028	5,233,441			
2029	5,228,880			
2030	5,145,012			
2031	4,792,000			
2032	4,790,450			
2033	4,783,800			
2034	4,785,050			
2035	4,784,050			
2036	4,782,250			
2037	4,780,450			
2038	4,773,450			
2039	4,780,200			
2040	4,769,100			
2041	3,140,500			
2042	3,138,750			
2043	3,141,000			
2044	3,143,600			
2045	3,136,800			
2046	<u>3,140,800</u>			
TOTAL	\$94,210,780			

Note: Totals may not tie due to rounding.

¹ Includes the Refunded Bonds for the Preliminary Official Statement.

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THE PLAN OF REFUNDING

A portion of the proceeds of the 2026 Bonds will be used to refund the Refunded Bonds. Proceeds from the sale of the 2026 Bonds will be deposited with U.S. Bank National Association, as escrow agent (the “*Escrow Agent*”), in trust pursuant to the terms and conditions of an Escrow Agreement to be dated as of April 1, 2026 (the “*Escrow Agreement*”), between the Board and the Escrow Agent. Funds on deposit with the Escrow Agent will be used to purchase certain Federal Securities (as defined in the Escrow Agreement) maturing at times and in amounts sufficient to provide funds, together with funds deposited with the Escrow Agent and remaining uninvested, to (a) pay the interest on the Refunded Bonds through June 1, 2026 and (b) the redemption price of the Refunded Bonds equal to 100% of the principal amount of such Refunded Bonds on June 1, 2026. Upon the execution of the Escrow Agreement and the deposit of funds with the Escrow Agent as described above, the Refunded Bonds will no longer be Outstanding or secured by the General Indenture, but will be payable solely from, and secured solely by, such Federal Securities, cash and other monies which are deposited, or may be deposited from time to time, in the escrow fund held under the Escrow Agreement. In the Escrow Agreement, the Board will irrevocably direct the Trustee to call the Refunded Bonds for redemption on the Redemption Date. Amounts on deposit under the Escrow Agreement will not secure the 2026 Bonds.

Proceeds of the 2026 Bonds will also be used to pay costs incurred in connection with issuance of the 2026 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds, rounded to the nearest dollar, in connection with the issuance of the 2026 Bonds:

Sources of Funds:

Principal Amount of 2026 Bonds
Net Original Issue Premium/Discount

Total Sources

Uses of Funds:

Refunding of Refunded Bonds
Costs of Issuance¹

Total Uses

⁽¹⁾ Costs of issuance include underwriter’s discount, legal fees, financial advisory fees, rating agency fees, initial Trustee, Registrar and Paying Agent fees, printing costs and other expenses incurred in connection with the issuance of the 2026 Bonds.

THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA

The Board is classified and constituted pursuant to Chapter 116 of the General Statutes of North Carolina, as amended, as a body politic and corporate of the State. Chapter 116 also provides that members of the Board are to be elected by the North Carolina Senate and House of Representatives. The State Senate and House presently elect 12 members every two years to serve four-year terms. Pursuant to the Act, the Board is authorized to issue, subject to the approval of the Director of Budget, at one time or from time to time, special obligation bonds of the Board, for the purpose of paying all or any part of the cost of acquiring, constructing or providing one or more capital facilities at the University or refunding any bonds issued under the Act or under any provision of any Article of Chapter 116 for the benefit of the University.

The University of North Carolina System (the “*System*”) is composed of the following institutions: University of North Carolina at Asheville, University of North Carolina at Chapel Hill, University of North Carolina at Charlotte, The University of North Carolina at Greensboro, The University of North Carolina at Pembroke, The University of North Carolina Wilmington, Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina State University, University of North Carolina School of the Arts, Western Carolina University, Winston-Salem State University and the North Carolina School of Science and Mathematics.

UNIVERSITY OF NORTH CAROLINA AT ASHEVILLE

UNC Asheville, located in Asheville, North Carolina was founded in 1927 as Buncombe County Junior College, which later became Asheville-Biltmore College, a state-supported senior college, on July 1, 1963. On July 1, 1969, Asheville-Biltmore College became the University of North Carolina at Asheville. Additional information about UNC Asheville is provided in Appendices A and B attached hereto and made a part hereof.

TAX TREATMENT

GENERAL

On the date of issuance of the 2026 Bonds, Bond Counsel will render an opinion that, under existing law, (1) assuming compliance by the Board and the University with certain provisions of the Code, interest on the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the 2026 Bonds is exempt from State of North Carolina income taxation.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the 2026 Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the Board and the University rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2026 Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the 2026 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the Board and the University subsequent to issuance of the 2026 Bonds to maintain the excludability of the interest on the 2026 Bonds from gross income for federal income tax purposes. Bond Counsel’s opinion is given in reliance on certifications by representatives of the Board and the University as to certain facts material to the opinion and the requirements of the Code.

The Board and the University have covenanted to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026 Bonds in order that the interest on the 2026 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the Board and the University with such covenants, and Bond Counsel has not been retained to monitor compliance by the Board and the University with such covenants subsequent to the date of issuance of the 2026 Bonds. Failure to comply with certain of such requirements may cause the interest on the 2026 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2026 Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of or the receipt, accrual or amount of interest with respect to the 2026 Bonds.

If the interest on the 2026 Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the Board and the University to comply with any requirements described above, the Board and the University are not required to redeem the 2026 Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the 2026 Bonds. Prospective purchasers and owners of the 2026 Bonds are advised that, if the Internal Revenue Service does audit the 2026 Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the Board and the University as the taxpayer, and the owners of the 2026 Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the 2026 Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers and owners of the 2026 Bonds should be aware that ownership of the 2026 Bonds and the accrual or receipt of interest on the 2026 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2026 Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers and owners of the 2026 Bonds should consult their own tax advisors as to collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the 2026 Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the 2026 Bonds to be subject directly or indirectly to federal, state or local income taxation, adversely affect the market price or marketability of the 2026 Bonds or otherwise prevent the owners of the 2026 Bonds from realizing the full current benefit of the status of the interest on the 2026 Bonds.

Bond Counsel’s opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel’s opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the Board and the University, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

An owner of a 2026 Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the 2026 Bond if such owner fails to provide to any person required to collect information in accordance with Section 6049 of the Code with such owner’s taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest,

dividends or other “reportable payments” described in Section 6049 of the Code properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

ORIGINAL ISSUE DISCOUNT

As indicated on the inside cover page, the 2026 Bonds maturing on June 1, 20__ (the “*OID Bonds*”), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of each maturity of the *OID Bonds* is sold and (b) the principal amount payable at maturity of such *OID Bonds*, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such *OID Bonds* for federal income tax purposes.

In the case of an owner of an *OID Bond*, the amount of original issue discount on such *OID Bond* is treated as having accrued daily over the term of such *OID Bond* on the basis of a constant yield compounded at the end of each accrual period and is added to the owner’s cost basis of such *OID Bond* in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such *OID Bond* (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an *OID Bond* which are attributable to accrued original issue discount on such *OID Bonds* will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal individual alternative minimum tax. However, it should be noted that the original issue discount that accrues to an owner of an *OID Bond* may result in other collateral federal income tax consequences for certain taxpayers in the year of the accrual.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering price of such *OID Bond*) at a rate determined by reference to the yield to maturity of each individual *OID Bond*. The amount treated as original issue discount on an *OID Bond* for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such *OID Bond* (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such *OID Bond* at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such *OID Bond* during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such *OID Bond* the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an *OID Bond* is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the *OID Bonds* who subsequently purchase any *OID Bonds* after the initial offering or at a price different from the initial offering price during the initial offering of the 2026 Bonds. Owners of *OID Bonds* should consult their own tax advisors with respect to the precise determination for federal and state tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an *OID Bond* as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an *OID Bond*. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an *OID Bond* may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

ORIGINAL ISSUE PREMIUM

As indicated on the inside cover page, the 2026 Bonds maturing on June 1, 20__ (the “*Premium Bonds*”), are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner’s cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the “adjusted basis” of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

CONTINUING DISCLOSURE OBLIGATION

The Board has agreed in the Ninth Series Indenture authorizing the 2026 Bonds, in accordance with Rule 15c2-12 (the “*Rule*”) promulgated by the Securities and Exchange Commission (the “*SEC*”) and for the benefit of the registered owners and beneficial owners of the 2026 Bonds to provide, or cause the University to provide, to the Municipal Securities Rulemaking Board (the “*MSRB*”):

(a) by not later than seven months after the end of each Fiscal Year of the University, beginning with the Fiscal Year ending June 30, 2026, the audited financial statements of the University for such Fiscal Year, if available, prepared in accordance with the laws of the State applicable to the Board and its constituent institutions, or if such audited financial statements are not then available, unaudited financial statements of the University for such Fiscal Year to be replaced subsequently by audited financial statements of the University to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months after the end of each Fiscal Year of the University, beginning with the Fiscal Year ending June 30, 2026, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included in the Official Statement related to the 2026 Bonds in the table of Available Funds set forth under the caption “SECURITY FOR THE 2026 BONDS-Available Funds” to the extent such information is not included in the financial statements referred to in (a) above;

(c) in a timely manner not in excess of 10 Business Days after the occurrence of an event, notice of any of the following events with respect to the 2026 Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2026 Bonds, or other material events affecting the tax status of the 2026 Bonds;

(7) modification to the rights of the beneficial owners of the 2026 Bonds, if material;

(8) call of any of the 2026 Bonds, other than calls for mandatory sinking fund redemption, if material, and tender offers;

(9) defeasance of any of the 2026 Bonds;

(10) release, substitution or sale of any property securing repayment of the 2026 Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the University;

(13) the consummation of a merger, consolidation, or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) the appointment of a successor or additional trustee or a change in the name of the trustee, if material;

(15) incurrence of a financial obligation of the Board related to the University, if material, or agreement to covenant, events of default, remedies, priority rights or other similar terms of a financial obligation of the Board related to the University, any of which affect the holders of the 2026 Bonds, if material; and

(16) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the Board related to the University, any of which reflect financial difficulties; and

(d) in a timely manner, notice of a failure of the Board to provide or cause the University to provide the required annual financial information described in (a) or (b) above on or before the date specified.

For purposes of the undertaking described in (15) and (16) above, “*financial obligation*” means (A) a debt obligation, (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (C) a guarantee of either clause (A) or (B) above. The term “*financial obligation*” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

All information provided to the MSRB as described above shall be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. Currently such information is provided through the Electronic Municipal Market Access System (“*EMMA*”) maintained by the MSRB. The Board may meet the continuing disclosure filing requirements described

above by complying with any other procedure that may be required or authorized by the United States Securities and Exchange Commission.

The Board has agreed that its undertaking set forth above is intended to be for the benefit of the registered owners and the beneficial owners of the 2026 Bonds and is enforceable by the Trustee or by any of them, including an action for specific performance of the Board's obligations described above, but a failure to comply will not be an event of default under the General Indenture and will not result in acceleration of the payment of the 2026 Bonds. An action must be instituted, had and maintained in the manner provided in this paragraph for the benefit of all of the registered owners and beneficial owners of the 2026 Bonds.

Pursuant to the Ninth Series Indenture, the Board may modify from time to time, consistent with the Rule, the information to be provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Board, but:

(1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Board;

(2) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(3) any such modification does not materially impair the interests of the registered owners or the beneficial owners of the 2026 Bonds, as determined by Bond Counsel or by the approving vote of the registered owners of a majority in principal amount of the 2026 Bonds.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on all of the 2026 Bonds.

UNC Asheville filed its annual financial statements and information on Available Funds for Fiscal Year ended June 30, 2024 on the EMMA system on February 2, 2025, two days past the required date. While preparing for the issuance of the 2026 Bonds, UNC Asheville realized that it had not filed its annual financial statements on the EMMA system for Fiscal Years 2023, 2022 and 2021 (although they were available from other publicly available sources). UNC Asheville has now posted those annual financial statements on the EMMA system. Except as otherwise described above, during the past five years, UNC Asheville has complied with its previous continuing disclosure obligations in all material respects.

The Board has delegated to each constituent institution responsibility for complying with the continuing disclosure undertakings relating to bonds issued for its benefit. The University is not responsible for the compliance of other constituent institutions with their continuing disclosure undertakings. Certain of the constituent institutions have failed to comply in all material respects with their continuing disclosure obligations undertaken with existing bonds issued by the Board for their benefit.

RATINGS

Moody's Ratings has assigned the 2026 Bonds a rating of "A2." Explanations of the significance of the respective ratings may be obtained from Moody's Ratings. The ratings reflect only the view of the rating agency, and neither the Board nor the University makes any representation as to the appropriateness of the ratings. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the rating agency, if in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2026 Bonds.

LITIGATION, INVESTIGATIONS AND REGULATORY MATTERS

There is no litigation pending against the Board or the University, or, to the knowledge of the officers or attorneys for either, threatened, in any court or other tribunal of competent jurisdiction, State or federal, in any way (1) restraining or enjoining the issuance, sale or delivery of any of the 2026 Bonds; (2) questioning or affecting the validity of the 2026 Bonds, the General Indenture, or the Ninth Series Indenture; (3) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the 2026 Bonds; or (4) questioning or affecting the organization of the Board or the power of the Board to pay principal and interest on the Bonds from Available Funds.

At all times, there are audits, compliance reviews and investigations that arise in the normal course of the University's activities. Such audits, compliance reviews and investigations may relate to any activity at the University, and may be conducted by persons within or outside the University, including, but not limited to, federal agencies, the North Carolina State Auditor's office and other state governmental agencies.

The System has also been named in a separate purported class action lawsuit brought on behalf of students who paid student fees and parking fees for the fall 2020 academic semester at the University of North Carolina at Chapel Hill and North Carolina State University. These plaintiffs seek to recover money damages on the ground that their student fees were not properly adjusted, pro-rated, or rebated after those universities transitioned to fully online instruction in the fall of 2020. At the trial court level, the System was partially successful on a motion to dismiss this matter as well; only one claim survived dismissal. The North Carolina Court of Appeals affirmed the trial court's decision in October 2022. The North Carolina Supreme Court granted the System's request for discretionary review of the decision related to the outstanding claim. The Supreme Court held that the plaintiffs had sufficiently pled a claim for breach of an express contract and remanded the matter for further proceedings in the trial court.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the issuance and authorization of the 2026 Bonds are subject to the unqualified approving opinion of Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina, Bond Counsel. Copies of the approving opinion of Bond Counsel will be available at the time of delivery of the 2026 Bonds. A proposed draft of its opinion is set forth in Appendix D of this Official Statement. Certain legal matters will be passed on for the Board by or on behalf of the Hon. Jeffrey Jackson, Attorney General of the State of North Carolina.

FINANCIAL ADVISOR

First Tryon Advisors, LLC, has served as financial advisor to the University in connection with the sale of the 2026 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2026 Bonds is contingent on the issuance and delivery of the 2026 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume

responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices thereto.

UNDERWRITING

The underwriters for the 2026 Bonds are _____.¹
The underwriters for the 2026 Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the 2026 Bonds. If all of the 2026 Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters for the 2026 Bonds anticipate total selling compensation of \$_____.¹ The public offering prices or yields of the 2026 Bonds may be changed from time to time by the underwriters of the 2026 Bonds.

¹ Information provided by the underwriters of the 2026 Bonds.

MISCELLANEOUS

The summaries of the provisions of the 2026 Bonds and the Indentures contained in this Official Statement, including Appendix C, do not purport to be complete and are made subject to the detailed provisions thereof to which reference is hereby made.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. The delivery of this Official Statement has been duly authorized and approved by the Board.

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APPENDIX A

UNIVERSITY OF NORTH CAROLINA AT ASHEVILLE

APPENDIX A

THE UNIVERSITY OF NORTH CAROLINA AT ASHEVILLE

Background and History

The University of North Carolina at Asheville (the “*University*” or “*UNC Asheville*”) was founded in 1927 as Buncombe County Junior College, which later became Asheville-Biltmore College, a state-supported senior college, on July 1, 1963. In 1967, Asheville-Biltmore College was accredited by the Southern Association of Colleges and Schools and granted its first baccalaureate degrees in 1966. On July 1, 1969, Asheville-Biltmore College became UNC Asheville, one of six campuses of the consolidated University of North Carolina. The 10 remaining state-supported senior institutions were merged into one statewide, multi-campus system in July 1972, making UNC Asheville one of 17 constituent institutions of the University of North Carolina System (the “*System*”).

General

UNC Asheville is a premier designated public liberal arts university in the 17-campus System. UNC Asheville is committed to providing an excellent liberal arts experience for its approximately 2,850 undergraduate students through challenging academic programs, exemplary teaching and meaningful and diverse co-curricular activities. The scenic 417-acre mountain campus is located one mile north of downtown Asheville (population 94,992 as of July 1, 2024), in Buncombe County (population 279,210 as of July 1, 2024), the cultural, economic and population center of the region. UNC Asheville is home to 16 NCAA Division I athletics programs and is a member of the Big South Conference.

UNC Asheville is ranked in several national publications for its educational quality and value. *U.S. News & World Report* ranks UNC Asheville tenth in the nation among public liberal arts colleges in its list of “2026 Best Colleges.” *The Fiske Guide to Colleges 2025* named UNC Asheville a “Best Buy”—one of only two North Carolina public universities which made the list. In 2025, the *Princeton Review* ranked UNC Asheville twelfth nationally on its “Most Engaged in Community Service” list and seventh on its “Top 50 Guide to Green Colleges.” UNC Asheville was recognized as a “Dream School - 1 of 75 institutions in the U.S.” by *New York Times* bestselling author Jeff Selinger for high affordability, strong student outcomes, and small class sizes.

UNC Asheville was also recognized in the *2025 Carnegie Classifications* as a “Special Focus: Arts and Sciences” institution. This classification includes just six percent of colleges and universities nationwide marking UNC Asheville as a leader in delivering focused, high-impact undergraduate education. The University also earned a “Higher Access, Medium Earnings” designation in the new “Student Access and Earnings Classification” from the *2025 Carnegie Classifications*, highlighting the University’s success in enrolling students from diverse backgrounds and preparing graduates for strong economic outcomes. This classification considers data on Pell Grant recipients and underrepresented students, along with post-attendance earnings benchmarked against local economic conditions.

Academic and Research Programs

UNC Asheville offers more than 60 majors, minors, certificates, and concentrations and one graduate program. Twenty-nine (29) majors lead to the Bachelor of Arts, Bachelor of Fine Arts or Bachelor of Science degrees as well as a Master of Science in environmental resilience degree. The University has a national reputation for its program in the humanities, undergraduate research, atmospheric sciences and environmental studies. In addition, the University’s natural sciences and engineering programs are obtaining recognition and support from private and public sector funding.

In 1987, UNC Asheville became one of the eight founding members of the Council of Public Liberal Arts Colleges (“*COPLAC*”). With its national headquarters at UNC Asheville, COPLAC is a consortium of over 30 undergraduate institutions in the United States and Canada dedicated to the advancement of public liberal arts education.

Beginning in the Fall 2025 semester, UNC Asheville began offering a new and innovative, one-year Master of Science in Environmental Resilience (“*MSER*”) program designed to equip students with the technical expertise and interdisciplinary knowledge needed to strengthen communities’ and industries’ resilience to climate change. The MSER program offers an affordable and accelerated pathway to a master’s degree, with in-state tuition and fees costing approximately \$11,000 for two semesters and one summer term.

UNC Asheville received over \$4.76 million of grants in fiscal year 2025, the largest of which was \$1.99 million S-STEM (Scholarships in Science, Technology, Engineering, and Mathematics) grant from the National Science Foundation for the Data Analytics Training and Scientific Computing Initiative (DATASCI). The grant, one of the largest ever in UNC Asheville's history, will provide four years of financial support to 18 first-year students and three years of support to 13 transfer students over the next six years. The average award is expected to be \$11,000 per year and will support Pell-eligible, academically talented scholars majoring in Astronomy, Computer Science, Mathematics, Statistics, or Physics at UNC Asheville.

In October 2025, the United States Department of Education awarded UNC Asheville a TRIO grant worth a total of \$1.3 million to establish a Student Support Services program starting in Spring 2026 to provide holistic, targeted support for first-generation, low-income students and students with disabilities. Additional grants of note include four faculty grants awarded in November 2025 to study post-Helene recovery, focusing on psychology, economics, biology, and conservation genetics.

UNC Asheville has had over 50 Fulbright Scholars since 1973, studying and working everywhere from Macedonia to Ethiopia. UNC Asheville has been a Fulbright Top-Producing Institution for 7 of the last 10 years and in that time 12 students have received Fulbright grants to pursue their post-graduation goals around the world.

Board of Trustees

The Board of Governors of the System (the “*Board of Governors*”) has responsibility for the basic policies of the System as a whole. However, the UNC Asheville has its own administrative structure and maintains a separate Board of Trustees (the “*Board of Trustees*”) that serves as advisor to the Board of Governors on matters pertaining to UNC Asheville and also serves as advisor to the Chancellor concerning the management and development of UNC Asheville. The Board of Trustees’ role is to promote the sound development of UNC Asheville and to help it serve the people of the State in a way that will complement the activities of the other institutions in the System.

The Board of Trustees is composed of 13 members. Eight members are selected by the Board of Governors, four are appointed by the General Assembly of North Carolina and the annually elected President of the Student Government Association serves as a member *ex officio*. All trustees, except the *ex officio* member, serve staggered four-year terms.

The following lists the current members of the Board of Trustees and their city of principal residence. The Board of Trustees currently has one vacancy.

Roger Aiken, *Asheville, NC*, Chair
Peter Heckman, *Asheville, NC*, Vice Chair
Kelly Davis, *Asheville, NC*, Secretary

Stephen De May, *Charlotte, NC*
Louis Bissette, *Asheville, NC*
Catherine Bell Mitchell, *Asheville, NC*
Andrew Heath, *Raleigh, NC*
Amy Hanks, *Asheville, NC*
David Meyer, *Asheville, NC*
Gregg Thompson, *Raleigh, NC*
Tom Hunter, *Asheville, NC*
Obianko Osaro, *Ex Officio*, Student Body President

UNC Asheville Administration

The following table sets forth the names and positions of the principal executive officers of UNC Asheville, as well as the year their service began. A statement of the background of each follows.

Name	Position	Since
Dr. Kimberly van Noort, Ph.D.	Chancellor	2023
Dr. Yvonne Villanueva-Russell, Ph.D.	Provost and Executive Vice Chancellor for Academic Affairs	2024
Joshua L. Lassiter	Interim Vice Chancellor for Budget & Finance	2025
Dr. Meghan Harte Weyant, Ph.D.	Vice Chancellor for Student Affairs and Enrollment Management	2023
Dr. Shannon C. Earle	Vice Chancellor for University Advancement and Executive Director of UNCA Foundation	2026
Janet Cone, MA	Senior Administrator for University Enterprises & Athletics Director	2004
Caroline McLean	General Counsel	2026*
Sarah Humphries	Chief of Staff	2025
Eden Bloss	Chief Communication & Marketing Officer	2025

* Ms. McLean’s tenure as General Counsel of the University will begin on March 23, 2026.

Dr. Kimberly van Noort, Chancellor. Dr. Kimberly van Noort became the ninth Chancellor of UNC Asheville on January 1, 2024, following her unanimous election by the Board of Governors. She previously served UNC Asheville as Interim Chancellor and Interim Provost, helping guide academic operations and contributing to increases in enrollment and student retention. Before her leadership roles at UNC Asheville, Dr. van Noort spent six years in senior academic positions within the University of North Carolina System, most recently as Senior Vice President for Academic Affairs and Chief Academic Officer. In these roles, she advanced systemwide initiatives to support student success, strengthen mental

health resources, improve transfer pathways, and expand online academic offerings. Dr. van Noort began her academic career at the University of Texas at Arlington, where she spent two decades as a faculty member and administrator, serving as Associate Vice Provost for Undergraduate Studies, Director of University College, Associate Dean in the College of Liberal Arts, and a tenured professor in Modern Languages. She earned her B.A. and M.A. from the University of Nebraska–Lincoln and her Ph.D. from Boston University. She also serves on several North Carolina boards, including the Arboretum and Biotechnology Center.

Dr. Yvonne Villanueva-Russell, Provost and Executive Vice Chancellor for Academic Affairs.

Dr. Yvonne Villanueva-Russell joined UNC Asheville as Provost and Executive Vice Chancellor for Academic Affairs in July 2024, following her unanimous selection by the Board of Trustees Executive and Governance Committee after a nationwide search. An internationally recognized keynote speaker and award-winning teacher, she brings extensive experience in student access, success, and retention strategies for first-year, graduate, and non-traditional students, along with a strong fundraising record that includes securing \$2.6 million in grant support over the past five years. Prior to joining UNC Asheville, she served as Dean of the College of Innovation and Design at Texas A&M University–Commerce, where she worked for more than two decades as a sociology faculty member and administrator, holding roles such as department head, assistant dean, associate dean, and dean. Dr. Villanueva-Russell earned her B.A. and M.A. in sociology from Western Illinois University and her Ph.D. from the University of Missouri.

Joshua L. Lassiter, Interim Vice Chancellor for Budget and Finance. Joshua Lassiter, CPA, serves as the Vice President for Financial Health & Strategy for the System, a role he began on February 1, 2026. In this capacity, he leads systemwide financial health initiatives, institutional risk assessment, strategic sustainability planning, and long-range financial strategy for the System. He is currently on loan to UNC Asheville, supporting the institution through his system-level portfolio. Joshua is a senior higher education finance leader with more than two decades of experience spanning system offices, public universities, and national higher ed advisory work. Prior to joining the System, he served as a Managing Director at First Tryon Advisors, where he advised more than 40 public and private institutions—including R1 universities, regional comprehensives, community colleges, and private colleges—on financial sustainability, operational improvement, governance, and capital strategy. His advisory work integrated operational diagnostics with public finance expertise, supporting over \$700 million in bond transactions and multiple large scale institutional turnarounds. Earlier in his career, Joshua served as Chief Financial Officer and Vice Chancellor for Business & Finance at Elizabeth City State University, where he oversaw all financial and administrative operations. He previously held progressively senior roles in budget, grants, and financial operations at the institution. Joshua began his career in audit and advisory roles with RBC Bank and Grant Thornton. He holds an MBA, Master of Accounting, and B.S. in Accounting (Financial Analysis) from North Carolina State University and is a Certified Public Accountant licensed in North Carolina.

Dr. Meghan Harte Weyant, Vice Chancellor for Student Affairs and Enrollment Management.

Dr. Meghan Harte Weyant serves as the Vice Chancellor for Student Affairs and Enrollment Management at UNC Asheville, where she leads campus-wide efforts to advance student belonging, well-being, and holistic success. Before joining UNC Asheville, Dr. Harte Weyant held senior leadership positions at Rhodes College—serving as Vice President for Student Life—and at Rollins College, where she was Assistant Vice President for Student Affairs and Dean of Students. She earned her B.S. in Psychology from Central Michigan University, an M.Ed. from Grand Valley State University, and a Ph.D. in Sociology from the University of Central Florida, where her research focused on social inequality, family systems, and education.

Dr. Shannon C. Earle, Vice Chancellor for University Advancement and Executive Director of UNCA Foundation. Dr. Earle brings more than two decades of higher education experience, including previous service at UNC Asheville as Associate Vice Chancellor for University Advancement and as

Chief of Staff. Dr. Earle first joined UNC Asheville in 2011, serving as Assistant Provost of Admissions and Financial Aid and achieving a record of consistent strength in enrollment while also overseeing financial aid services at the University. Before coming to UNC Asheville, she served as Director of Development and Alumni Relations at Tennessee Wesleyan College and as Dean of Students and Director of Residence Life at Young Harris College. She holds a doctorate in organizational leadership and change from Baylor University, where her research focused on the critical success factors of small United Methodist colleges, a Master of Liberal Arts and Sciences from UNC Asheville and a Bachelor of Science in Human Services and Sociology from Tennessee Wesleyan College.

Janet Cone, Senior Administrator for University Enterprises and Athletics Director. Janet Cone has led UNC Asheville Athletics since 2004, making her the longest-tenured athletic director in the Big South Conference and guiding the UNC Asheville's growth as a premier Division I mid-major program. Most recently, she navigated the department through the challenges caused by Helene's impact in Western North Carolina, successfully relocating all 16 programs to ensure student-athletes could continue competing during recovery efforts. Cone currently serves on the NCAA Division I Membership Committee (2025–27) and has held numerous national leadership roles, including President of the I-AAA ADA, a member of the NACDA Executive Committee, and a member of the NCAA Men's Basketball Selection Committee. Under her leadership, UNC Asheville launched a five-year strategic plan and quickly achieved key benchmarks, including a top-three Sasser Cup finish, a 992 APR, a 3.23 departmental GPA, and the Big South's inaugural Champions of Unity Award. Her tenure has also included significant facility enhancements — highlighted by the reconstruction of the Karl Straus Track, the addition of the Jeff Fox hitting facility, and plans for a new outdoor tennis complex — along with multiple national honors, including NACDA Athletic Director of the Year.

Caroline McLean, General Counsel. On March 23, 2026, Caroline McLean will begin her role as General Counsel for the University. Ms. McLean currently serves as an Assistant United States Attorney for the Western District of North Carolina, where she leads complex civil litigation and federal enforcement matters on behalf of the United States. She brings experience spanning federal government service, private commercial litigation practice, and a federal judicial clerkship. Ms. McLean earned her J.D. with High Honors from the University of North Carolina School of Law and her B.A. from the University of Virginia.

Sarah Humphries, Chief of Staff. Sarah Humphries serves as the Chief of Staff at UNC Asheville, providing strategic leadership and operational coordination for the Chancellor and senior leadership team. Humphries brings more than a decade of experience at UNC Asheville, including prior service as Executive Assistant in the Chancellor's Office and multiple leadership roles in admission and financial aid. Her experience also includes serving as Director of Undergraduate Admissions at the University of North Carolina at Charlotte, where she led recruitment strategy and enrollment initiatives. She holds a Master of Liberal Arts and Sciences from UNC Asheville and a Bachelor of Arts in English and Spanish from Appalachian State University.

Eden Bloss, Chief Communication & Marketing Officer. Eden Bloss brings more than two decades of experience in strategic marketing communications across corporate, agency, and higher-education settings. In her role, she leads the University's integrated communications and marketing strategy, overseeing brand management, media relations, digital engagement, crisis communication, and campus-wide storytelling. Before joining UNC Asheville, Bloss served as Associate Vice Chancellor for Communications at the University of North Carolina at Greensboro, where she led a team of writers, multimedia professionals, social media managers, and cross-functional communicators supporting academic programs across the university. Her background also includes expertise in brand and image development, website strategy, community and government relations, and partnerships, including celebrity and influencer collaborations.

Faculty

For the 2025-2026 academic year, UNC Asheville employed 188 full-time and 45 part-time instructional faculty for a total of 233 faculty. Of the full-time faculty, 51% are tenured and 86% hold a doctorate, first professional or other terminal degree in their respective fields. The student to faculty ratio is 13 to 1.

Accreditation

UNC Asheville is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACSCOC) to award bachelor's and master's level degrees.

In addition to Institutional Accreditation by SACSCOC, UNC Asheville has several programs which are accredited, including:

- The Accreditation Board for Engineering and Technology (ABET) accredits the Joint UNC Asheville/North Carolina State University engineering program in mechatronics.
- The American Chemical Society (ACS) approves the chemistry department but does not accredit.
- Council for the Accreditation of Educator Preparation (CAEP) has granted continuing accreditation to the Department of Education. This accreditation covers initial teacher preparation programs.
- The Accreditation Association for Ambulatory Health Care (AAAHC) accredits the health and counseling center.

Enrollment

FIRST-YEAR APPLICATION, ACCEPTANCE AND ENROLLMENT INFORMATION

<u>ACADEMIC YEAR</u>	<u>APPLICATIONS</u>	<u>ACCEPTANCES</u>	<u>ACCEPTANCE RATE</u>	<u>ENROLLED</u>	<u>ENROLLMENT RATE</u>
2021-2022	4,550	3,714	81.6%	605	16.3%
2022-2023	4,278	3,179	74.3	507	15.9
2023-2024	5,466	5,132	93.9	630	12.3
2024-2025	7,378	6,783	91.9	725	10.7
2025-2026 ¹	14,499	12,473	86.0	490	3.9

¹ The increase in the applications and acceptances in the 2025-2026 academic year is due to the adoption by UNC Asheville of the “NC Connect” and “Redirect” initiatives from the System. NC Connect guarantees admission for State high school graduates who meet certain admission requirements and Redirect automatically forwards applications to UNC Asheville from the University of North Carolina at Chapel Hill and North Carolina State University for students who are denied admission to either school. The yield for enrollment from these populations is lower than from direct applications.

The University requires high school applicants to obtain at least a 2.5 weighted high school grade point average (GPA). Student applicants with a weighted GPA between 2.5 and 2.79 are required to submit a minimum standardized test score of a 17 (ACT) or a 930 (SAT). Test scores are not required for applicants with a weighted GPA of 2.8 or higher.

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FULL-TIME EQUIVALENTS, FALL SEMESTER

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Undergraduate ¹	3,042	2,742	2,727	2,867	2,663
Graduate and Professional ¹	<u>0</u>	<u>0</u>	<u>18</u>	<u>24</u>	<u>19</u>
Total	<u>3,042</u>	<u>2,742</u>	<u>2,745</u>	<u>2,891</u>	<u>2,682</u>

¹ Combined totals for resident and non-resident students.

After two consecutive years of enrollment growth through Fall 2024, Hurricane Helene disrupted the primary recruitment period for the Fall 2025 entering class, limiting UNC Asheville’s ability to host on-campus visits. Campus tour attendance in the months leading up to the Fall 2025 semester was below the prior year in each of the months shown below. The decline was most pronounced between September 2024 and January 2025, which are typically peak months for prospective student campus visits. In-person visits are an important component of the recruitment process, and the reduction in campus visits likely contributed to the lower first-time freshman enrollment in Fall 2025.

As shown in the charts below, UNC Asheville’s admissions by location and student commitments have returned to levels consistent with the Fall 2023 enrollment cycle, which UNC Asheville has identified as the target level for Fall 2026 enrollment.

CAMPUS TOUR ATTENDANCE (REGISTRATION & GUESTS)

<u>MONTH</u>	<u>2023-24</u> <u>ACADEMIC YEAR</u>	<u>2024-25</u> <u>ACADEMIC YEAR</u>	<u>2024-2025 %</u> <u>CHANGE</u>
September	335	172	-49%
October	484	0	-100%
November	329	50	-85%
December	93	5	-95%
January	164	93	-43%
February	412	264	-36%
March	778	420	-46%
April	822	652	-21%
May	56	30	-46%
June	461	298	-35%
July	701	425	-39%

% OF INCOMING FIRST-YEAR CLASS THAT VISITED CAMPUS

<u>FALL 2023</u>	<u>FALL 2024</u>	<u>FALL 2025</u>
68%	71%	64%

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Enrollment trends for the Fall 2026 recruiting season indicate a recovery and statistics similar to that of Fall 2024 at the same point in time:

HISTORICAL ADMITS AS OF FEBRUARY 27, 2026

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
In-State	2,638	4,199	4,580	4,571
Out-of-State	<u>1,343</u>	<u>2,027</u>	<u>1,521</u>	<u>2,378</u>
Total Admits	<u>3,981</u>	<u>6,226</u>	<u>6,101</u>	<u>6,949</u>
<u>Admits by Location</u>				
Asheville	224	351	392	349
Raleigh-Durham	823	1,324	1,221	1,646
Charlotte	674	972	990	1,258
Greensboro, Winston-Salem, and High Point	269	454	438	573
Other In-State	648	1,098	1,539	745
Out-of-State	1,343	2,027	1,521	2,378

The one-year retention for Fall 2025 was the strongest it has been in the last five years. Spring 2026 retention rate for first-time students entering in Fall 2025 was 90%, a slight decrease from Spring 2025 at 93%. The Spring 2025 numbers benefited from various measures supporting students, both financial and non-financial, whose first semester was disrupted by Hurricane Helene. Those measures included Hurricane Helene grants and the extension of the withdrawal deadline until after grades were submitted.

ONE-YEAR RETENTION RATE - FALL 2021 THROUGH FALL 2025

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
74.7%	68.4%	73.5%	72.1%	75.0%

Under Chancellor van Noort’s stewardship, UNC Asheville has begun to implement significant initiatives aimed at enhancing student success and affordability. The Access Asheville financial aid program (as described further in “**Tuition and Fees**” below) stands out as a beacon of hope for many students, guaranteeing full tuition and fees for qualifying individuals from North Carolina and neighboring states. This initiative is not merely about numbers; it embodies a commitment to making higher education accessible to those who might otherwise find it financially out of reach.

In his remarks, the System’s President Peter Hans lauded the University’s democratizing spirit, stating, “Asheville deserves a public university every bit as vibrant, appealing, and wonderfully unique as this region.” This sentiment resonates deeply with Chancellor van Noort’s vision for the future, which includes the ambitious “Asheville 2030 plan.” This strategic initiative aims to establish UNC Asheville as a model for innovative public liberal arts and sciences education, targeting sustainable enrollment of 3,800 to 4,000 students by 2030.

Millennial Campus Development

The Board of Governors approved the University’s Millennial Campus designation in April 2021, which covers approximately 211 acres owned by the University or one of its affiliated entities. As part of the Asheville 2030 plan, the University is undertaking a structured evaluation of its Millennial Campus properties to better understand how it can support long-term sustainability while remaining grounded in the

institution’s academic mission and public purpose. In January of 2026, the University announced the formation of the Millennial Campus Development Advisory Committee (the “Committee”), a group charged with making recommendations for future development on the University’s Millennial Campus properties. Committee members were selected for their knowledge and understanding of the University, the City of Asheville and the region, environmental issues, and of planning and development. In consultation with a urban development consulting firm engaged by the University, the Committee will meet monthly through May 2026. Following the final meeting, the consulting firm will synthesize the Committee’s recommendations into the Millennial Campus Action Plan, which will be delivered to the University for review and action.

Tuition and Fees

Following are the annual tuition and fees for the past five academic years:

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
Undergraduate					
In-State	\$ 7,319	\$ 7,380	\$ 7,461	\$ 7,501	\$ 7,501
Out-of-State	24,667	24,728	24,809	24,849	24,849
Graduate					
In-State	8,111	8,172	8,253	8,293	8,293
Out-of-State	24,433	24,494	24,575	24,615	24,615

State law has two provisions that impact the System’s tuition and fee setting process. The first provision establishes a new guaranteed tuition program that fixes tuition rates for first-time full-time resident undergraduates and new resident transfer students that remain continuously enrolled for eight consecutive semesters (sometimes ten) or the equivalent number of remaining semesters for transfer students. The second provision caps all student fee increases, including debt service fees, at 3% per year. UNC Asheville increased tuition by 1.5% and mandatory fees by 2.3% for the upcoming 2026-27 academic year. The tuition increase will apply only to new students, while the required fee increase applies to all students.

The University launched Access Asheville in October 2023 as a new financial aid program designed to make college more affordable for North Carolina's low- and middle-income families starting in the fall 2024 semester. After initial success, the University in the fall 2025 semester increased the program’s household income threshold for guaranteed full tuition and fees from \$80,000 to \$90,000 for qualified North Carolina residents. In addition, the program was expanded to include neighboring states, including South Carolina, Georgia, Tennessee, and Virginia. Qualifying students from these states who meet the \$90,000 income threshold are guaranteed to have tuition and fees reduced to \$10,000 after the University applies all federal, state and institutional grants and scholarships. Access Asheville has helped 467 students since its inception in 2024. The University continues to add more cohorts with the subsequent academic years. Twenty-six percent (26%) of the incoming Fall 2025 class utilized Access Asheville.

UNC Asheville currently ranks sixth among System institutions in the total cost of in-state tuition and fees and seventh in the total cost of out-of-state tuition and fees. The University also compares favorably to its national peer institutions, as identified by the System, ranking twelfth lowest out of thirteen for in-state tuition and fees and eighth lowest for out-of-state tuition and fees.

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Graduation Rates

The table below shows the University’s graduation rates of freshman within six years. Graduation rates largely follow 1-year retention rates, with a five-year lag.

SIX-YEAR GRADUATION RATES (FRESHMAN COHORT) - FALL 2021 THROUGH FALL 2025

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
64.6%	58.6%	54.8%	54.2%	51.4%

Degrees Awarded

The table below shows the degrees awarded by the University for the past 5 years. A new Master of Science in Environmental Resilience has been implemented, and its first cohort of 10 students is successfully working its way through the program, scheduled to graduate in Summer 2026. Three new undergraduate programs have been developed or are in process: astronomy (Fall 2025), data science (Fall 2027), and biochemistry (Fall 2027).

TOTAL GRADUATES, ACADEMIC YEAR 2021 THROUGH 2025

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Undergraduate	733	757	667	679	625
Graduate	9	0	0	5	13

Cybersecurity

UNC Asheville relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “*Systems Technology*”). As a recipient and provider of personal, private, and sensitive information, the University is a target of cybersecurity incidents that could result in adverse consequences to the University and its Systems Technology, requiring ongoing actions to mitigate the risk and minimize the consequences. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

To mitigate the risk to business operations or damage from cybersecurity incidents or cyber-attacks, the University invests in multiple forms of cybersecurity and operational safeguards. UNC Asheville has a multifaceted cybersecurity program overseen by the University’s Chief Information Officer and supported by the System office. Key elements of the security program include mandatory IT security awareness training for all employees, phishing simulation exercises, and active participation in the UNC Information Security Council (including representatives from all System campuses and the System’s office). UNC Asheville maintains policies and standards aligned with the ISO 27002 framework and employs a broad risk-based approach to security assessment and management, including ongoing vulnerability monitoring and remediation.

The University also conducts regular third-party cybersecurity assessments, periodic penetration testing, and disaster recovery exercises. In addition, UNC Asheville carries a cyber insurance policy to manage and minimize exposure and liability.

Technical safeguards include the use of multi-factor authentication for access to all University applications, endpoint protection across managed devices, and a data-first security and analytics platform that protects sensitive data. In addition, UNC Asheville is beginning an implementation of a managed detection and response (MDR) service to strengthen continuous threat monitoring.

While the University's cybersecurity and operational safeguards meet or exceed framework standards and best practices for a public university, the primary goal is to minimize our exposure, not eliminate all risk. The evolving nature of cybersecurity means there are no guarantees and threats evolve daily.

Audited Financial Statements

UNC Asheville's audited financial statements for the fiscal year ended June 30, 2025, are provided in Appendix B, and a discussion of UNC Asheville's Available Funds as the source of payment for the 2026 Bonds is provided under the heading, "SECURITY FOR THE 2026 BONDS — General" in the front part of this Official Statement. Also included in Appendix B is UNC Asheville's Management's Discussion and Analysis for the fiscal year ended June 30, 2025. UNC Asheville's financial statements are presented in accordance with generally accepted accounting principles applicable to governmental universities promulgated by the Governmental Accounting Standards Board (GASB).

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CONDENSED STATEMENT OF NET POSITION
AS OF JUNE 30, 2023 - 2025
(IN 000'S)

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Assets			
Current Assets	\$ 23,897	\$ 24,726	\$ 33,505
Other Noncurrent Assets	<u>277,317</u>	<u>282,805</u>	<u>289,528</u>
Total Assets	<u>301,214</u>	<u>307,531</u>	<u>323,033</u>
Deferred Outflows of Resources			
Loss on Refunding and Related to Pension and OPEB	19,517	22,813	33,079
Liabilities			
Current Liabilities	9,382	11,336	12,275
Other Noncurrent Liabilities	<u>146,643</u>	<u>154,307</u>	<u>169,755</u>
Total Liabilities	<u>156,025</u>	<u>165,643</u>	<u>182,030</u>
Deferred Inflows of Resources			
Gain on Refunding and Related to Pension	32,822	22,499	14,266
Net Position			
Net Investment in Capital Assets	170,275	174,253	176,384
Restricted			
Nonexpendable	9,448	9,914	12,952
Expendable	19,821	22,334	23,959
Unrestricted	<u>(67,660)</u>	<u>(64,399)</u>	<u>(53,479)</u>
Total Net Assets	<u>\$131,884</u>	<u>\$142,202</u>	<u>\$159,816</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 - 2025
(IN 000'S)

Operating Revenues	<u>2023</u>	<u>2024</u>	<u>2025</u>
Student Tuition and Fees, Net	\$ 16,701	\$ 18,262	\$ 11,326
Federal Grants and Contracts	2,747	2,630	1,886
State and Local Grants and Contracts	1,116	1,158	1,737
Nongovernmental Grants and Contracts	2,018	948	1,140
Sales and Services, Net	12,777	14,974	15,314
Interest Earnings on Loans	11	1	17
Other	<u>1,901</u>	<u>1,960</u>	<u>1,665</u>
Total Operating Revenues	<u>37,271</u>	<u>39,933</u>	<u>33,085</u>
Operating Expenses			
Salaries and Benefits	57,212	70,349	68,009
Supplies and Services	24,442	20,134	22,101
Scholarships and Fellowships	6,512	5,131	4,832
Utilities	2,960	3,079	3,053
Depreciation	<u>8,775</u>	<u>9,617</u>	<u>10,414</u>
Total Operating Expenses	<u>99,900</u>	<u>108,309</u>	<u>108,409</u>
Operating Loss	<u>(62,630)</u>	<u>(68,377)</u>	<u>(75,325)</u>
Nonoperating Revenues (Expenses)			
State Appropriations	51,046	55,389	54,098
State Aid – Hurricane Helene Recovery Funds	-	-	8,576
State Aid – Sports Wagering	-	-	2,014
State Aid – Coronavirus	774	209	231
Student Financial Aid	7,285	8,075	11,748
Federal Aid – COVID-19	4,582	-	-
Noncapital Contributions	5,010	6,246	5,623
Investment Income (Loss), Net	542	3,662	4,013
Interest and Fees on Debt	(3,201)	(3,321)	(2,962)
Other Nonoperating Revenues (Expenses)	<u>(305)</u>	<u>11</u>	<u>(928)</u>
Net Nonoperating Revenues	<u>65,733</u>	<u>70,270</u>	<u>82,413</u>
Income Before Other Revenues	<u>3,104</u>	<u>1,894</u>	<u>7,089</u>
Capital Contributions	2,126	8,283	7,884
Additions to Endowment	<u>2,089</u>	<u>141</u>	<u>2,642</u>
Increase in Net Position	<u>7,319</u>	<u>10,318</u>	<u>17,614</u>

Net Position

Net Assets – Beginning of Year	124,565	131,884	142,202
Net Assets – End of Year	131,884	142,202	159,816

State Aid. UNC Asheville receives a major portion of its revenues from the State's general fund in the form of annual appropriations for current operating expenditures. The State also makes annual appropriations for capital improvements such as academic buildings, libraries and laboratories. The State general fund appropriations for the past three fiscal years are set forth below:

(IN 000'S)

<u>FISCAL YEAR ENDED</u> <u>JUNE 30</u>	<u>OPERATING</u> <u>APPROPRIATIONS</u>	<u>CAPITAL</u> <u>CONTRIBUTIONS</u>	<u>TOTAL STATE AID</u>
2023	\$51,046	\$2,126	\$53,172
2024	55,389	8,283	63,672
2025	54,098	7,884	61,982

The North Carolina General Assembly is required by law to meet on a biennial basis, a budget being adopted for the biennium in odd-numbered years. Since 1973, the North Carolina General Assembly also has met in the second year of each biennium for the purpose of reviewing the State budget and financial condition. The Governor of North Carolina functions as director of the budget, with responsibilities for all phases of budgeting from initial preparation to final execution.

The base budget for the current 2025-27 biennium was appropriated by S.L. 2025-89, which became law on August 6th, 2025. Budget appropriations to the University totaled \$54,097,581, or about 3.5% of authorized appropriations to universities across the State, which totaled around \$6.5 billion.

The Board of Governors implemented a new, performance-based, funding model in 2023 to determine how much State funding the System requests from the General Assembly for each of its universities, based in part on the institutions' ability to meet certain strategic goals. The model's impacts have been incremental year-over-year but did not adjust the existing baseline revenue received by each school in the System. The model incorporates performance weighting that bases State funding on the change in performance-weighted, resident student credit hours, which the Board of Governors believes will graduate more students, on-time, with less debt.

No State general funds have been or will be appropriated for the payment of the principal of or interest on the 2026 Bonds. No assurance can be given that the State will continue to appropriate funds to the System at any particular level in the future.

The North Carolina General Assembly has not yet adopted a budget for fiscal year 2026. Under the enrollment funding model for calendar year 2024, the University was projected to receive \$830,000 more in fiscal year 2026 funding than it received in fiscal year 2025. The University has received \$427,000 related to enrollment growth in fiscal year 2026 to date. State funding attributed to enrollment growth for fiscal year 2027 is projected to total approximately \$1.1 million. A primary driver of this increase was the Summer 2025 term, during which student credit hours rose by more than 50% compared to the Summer 2024 term. The increase in Summer 2025 credit hours was driven by the use of \$1.2 million in Hurricane Helene grant funds provided from the State for summer courses. The University plans to deploy the same strategy for using Hurricane Helene grant funds in Summer 2026.

State Capital Contribution for Lipinsky Hall Renovation. The North Carolina General Assembly appropriated \$38.77 million for renovations to Lipinsky Hall, the home of the University’s music department. The renovation will create a true performance hall in the building with over 400 seats and concert acoustics. The new performance hall will allow University students and guest artists to share their talents with larger audiences and will also serve as the home of the Blue Ridge Orchestra, Asheville’s talented community orchestra. Construction is expected to begin in Spring 2026.

Investments. UNC Asheville's investments provide funds to support its academic programs and student-related activities. Long-term investments consist of endowment and similar funds. Investments available for current programs consist of current unrestricted and current restricted funds. Income from endowments is distributed to current unrestricted and current restricted fund groups according to University policy or the designation of the donor. Income from investments held in current funds is distributed at UNC Asheville's discretion. The market value of UNC Asheville's cash and investments at the end of each of the past three fiscal years is summarized as follows:

	(IN 000's)		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Current Unrestricted Cash and Cash Equivalents	\$19,857	\$18,892	\$27,274
Current Restricted Cash, Cash Equivalents and Short-Term Investments	1,391	3,412	3,686
Noncurrent Restricted Cash and Cash Equivalents	2,844	2,238	4,299
Endowment Investments	<u>24,528</u>	<u>26,824</u>	<u>30,211</u>
Total Cash and Investments	<u>\$48,620</u>	<u>\$51,366</u>	<u>\$65,470</u>

Certain Affiliates

The University of North Carolina at Asheville Foundation, Inc. (the “*Foundation*”) is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to UNC Asheville. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to UNC Asheville in support of its programs. During the year ended June 30, 2025, the Foundation distributed approximately \$4.63 million to UNC Asheville for both restricted and unrestricted purposes.

The Foundation is also the sole member of four entities, UNC Asheville Baseball Stadium, LLC, UNC Asheville Real Estate, LLC, UNC Asheville Foundation Makerspace, LLC, and UNC Asheville Foundation Riverside Property, LLC. These entities were formed for specific capital programs that benefit UNC Asheville.

The market value of the Foundation's cash and investments at the end of each of the past three fiscal years is summarized as follows:

	(IN 000'S)		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Current Unrestricted Cash and Cash Equivalents	\$ 4,486	\$ 4,169	\$ 6,666
Endowment Investments	42,416	44,028	47,735
Other Investment	<u>5,132</u>	<u>5,539</u>	<u>5,860</u>
Total Cash and Investments	<u>\$52,034</u>	<u>\$53,736</u>	<u>\$60,261</u>

As of June 30, 2025, the market value of the Foundation’s endowment and other investments was \$60.26 million.

Outstanding Debt

As of June 30, 2025, UNC Asheville had \$63,836,400 debt principal outstanding payable from Available Funds. As of June 30, 2025, UNC Asheville had approximately \$4.47 million related to lease arrangements outstanding and \$2.06 million related to subscription-based information technology arrangements (SBITA) outstanding.

Debt Outlook

No capital projects requiring debt financing by the University are projected for at least the next three years. However, the University continues to evaluate its capital needs each year and the appropriate method to finance such needs.

Fundraising Campaign

The University is currently conducting its first comprehensive fundraising campaign, authorized by the Board of Trustees in 2018 with a goal of raising \$100 million in private support. As of February 18, 2026, approximately \$78.3 million has been raised. To date, approximately \$29 million has been secured for scholarships, including the Asheville Trust endowment funded by \$3 million in private gifts matched by \$3 million from the State, a \$5 million endowed scholarship gift providing wraparound support, and a \$1 million STEM scholarship established by an alumnus. Private support has also contributed to several capital projects, including \$1.5 million for the renovation of Owen Hall, \$2.1 million for the outdoor track complex supplemented by a \$1.5 million Tourism Product Development Fund grant, \$1.1 million for the renovation of Lipinsky Hall, and approximately \$1.5 million toward planned on-campus tennis courts. The University plans to complete the campaign in 2027, coinciding with the University's 100th anniversary.

Pension Plans; Other Post-Employment Benefits

UNC Asheville makes annual required contribution payments to pension plans and other post-employment benefit plans administered by the State or the Board of Governors but has no liability for future payments. See Notes 13 and 14 in Appendix B – "FINANCIAL STATEMENTS" for a full discussion of the pension plans and other post-employment benefit plans in which UNC Asheville employees participate.

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APPENDIX B
FINANCIAL STATEMENTS

The University of North Carolina at Asheville

Asheville, NC



Financial Statement Audit Report

For the Year Ended June 30, 2025

State Auditor
Dave Boliek

*A Constitutional Office of the
State of North Carolina*





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Board of Trustees, The University of North Carolina at Asheville
Dr. Kimberly van Noort, Chancellor

We have completed a financial statement audit of The University of North Carolina at Asheville for the year ended June 30, 2025, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

As one of the 17 UNC System institutions, UNC-Asheville is an important piece of North Carolina's higher education landscape. Maintaining proper financial control is valuable to 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 UNC-Asheville's financial records shows no material errors for the year ended June 30, 2025. The audited statements make for a clean opinion and can be relied upon by management.

These results were particularly encouraging given the impact Hurricane Helene had on the Western North Carolina region. UNC-Asheville staff were very helpful as we examined the University's finances, and we're thankful for their assistance and cooperation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dave Boliek", written in a cursive style.

Dave Boliek
State Auditor



REPORT SUMMARY

The University of North Carolina at Asheville Financial Statement Audit

The Office of the State Auditor (OSA) is required¹ to perform annual financial statement audits at each of the constituent institutions within the University of North Carolina System.

Audit Results

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

Audit Purpose & Importance

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

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

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

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

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

Quick Highlights

 **Revenues:
\$130 Million**

Expenses:  
\$112 Million

Reports

The University's financial statement audit reports are available on our website at this [link](#).

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

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
The University of North Carolina at Asheville
Asheville, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of The University of North Carolina at Asheville (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of North Carolina at Asheville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2025 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Dave Boliek
State Auditor

Raleigh, North Carolina

October 22, 2025



Management's Discussion and Analysis



Introduction

This section of The University of North Carolina at Asheville's (University) financial report provides an overview of the financial position and activities for the year ended June 30, 2025. This discussion has been prepared by management along with the financial statements and related notes to the financial statements, which follow this section and, as such, should be read in conjunction with them. This discussion and analysis only reflects the activity of the University for the fiscal years ended June 30, 2025 and 2024 and not The University of North Carolina at Asheville Foundation, Inc. (Foundation), the University's discretely presented component unit. It is designed to focus on current activities, resulting change, and currently known facts.

These statements have been prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB) and include the *Statement of Net Position*, the *Statement of Revenues, Expenses, and Changes in Net Position*, the *Statement of Cash Flows*, and Notes to the Financial Statements. Comparative information for the prior fiscal year is also presented in the condensed financial statements in this section.

Statement of Net Position

The *Statement of Net Position* presents assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (the difference between assets and deferred outflows of resources from liabilities and deferred inflows of resources) as of the date of the fiscal year end (June 30). This statement assists in the determination of the financial condition of the University.

Comparative, condensed versions for fiscal years 2025 and 2024 are as follows:

Condensed Statement of Net Position				
	Fiscal Year 2025	Fiscal Year 2024	\$ Change	% Change
Assets				
Current Assets	\$ 33,505,344.67	\$ 24,725,562.82	\$ 8,779,781.85	35.51%
Capital Assets, Net	254,697,277.13	253,397,073.66	1,300,203.47	0.51%
Other Noncurrent Assets	34,830,652.88	29,408,061.32	5,422,591.56	18.44%
Total Assets	323,033,274.68	307,530,697.80	15,502,576.88	5.04%
Total Deferred Outflows of Resources	33,078,946.77	22,812,751.33	10,266,195.44	45.00%
Liabilities				
Current Liabilities	12,274,447.90	11,336,116.67	938,331.23	8.28%
Long-Term Liabilities, Net	169,442,609.34	153,991,718.20	15,450,891.14	10.03%
Other Noncurrent Liabilities	312,751.97	315,306.01	(2,554.04)	-0.81%
Total Liabilities	182,029,809.21	165,643,140.88	16,386,668.33	9.89%
Total Deferred Inflows of Resources	14,266,299.72	22,498,628.11	(8,232,328.39)	-36.59%
Net Position				
Net Investment in Capital Assets	176,384,052.71	174,352,961.77	2,031,090.94	1.16%
Restricted - Nonexpendable	12,951,802.99	9,913,594.45	3,038,208.54	30.65%
Restricted - Expendable	23,958,927.34	22,334,160.92	1,624,766.42	7.27%
Unrestricted	(53,478,670.52)	(64,399,037.00)	10,920,366.48	-16.96%
Total Net Position	\$ 159,816,112.52	\$ 142,201,680.14	\$ 17,614,432.38	12.39%

General Discussion of Changes in Statement of Net Position

The University's total assets increased this year by \$15.5 million, or 5.04%.

The largest contributor to the increase was current assets which is comprised of cash, receivables and inventories. Unrestricted cash increased a combined \$8.38 million due to additional balances in various auxiliary trust funds related to student services such as housing and dining, conference and camps, and grant receipts over the prior year, as well as carryforward funds from the State's Hurricane Helene relief funds.

Institutional trust and auxiliary trust funds increased \$6.45 million due to the following primary contributing factors:

- The \$2.01 million in sports wagering receipts further discussed below that were used in place of direct institutional trust fund support for the Athletics program.
- A \$2.60 million additional balance remaining in auxiliary trust fund cash balances resulting from improved management of the general fund expenses.
- Approximately \$2.81 million of additional auxiliary trust funds were needed in fiscal 2024 to fund salaries and other operating expenses necessary to accomplish the University's mission. Auxiliary trust fund cost reallocations were not necessary in fiscal 2025 due to the initiatives taken as part of the University's comprehensive strategy launched during 2024 that

focused on rebalancing spending out of the general fund. This comprehensive strategy included, among other things, reduced personnel, a reduction in workforce, and an academic portfolio review.

- Unrestricted cash increased \$1.85 million due to remaining Hurricane Helene relief funds. The initial restrictions on these funds were removed by the State in Senate Bill 382 and they may be used to help the University at the Chancellor's discretion.

Net capital assets increased \$1.30 million primarily due to additional costs for nondepreciable assets (construction in progress) related to campus security improvements and the Lipinsky Hall renovation project. See the Major Capital Projects, Debt Administration and Debt Rating section below for more details.

Other noncurrent assets consist of noncurrent restricted cash, endowment investments, notes receivable, and leases receivable. The \$5.42 million increase is primarily attributable to an increase in endowment investments of \$3.39 million and an increase in noncurrent restricted cash of \$2.06 million. The increase in endowment investments resulted from the \$2.40 million permanent portion of a \$2.64 million endowment gift received and combined returns on invested assets of 11.60% in 2025 as compared to 12.60% in fiscal 2024. The increase in noncurrent cash related to state funds received for future expenses on approved State Capital and Infrastructure Fund capital and repair projects.

Total liabilities increased \$16.39 million or 9.89%, due primarily to a \$16.80 million net increase in the University's net pension and net other postemployment benefits (OPEB) long-term liabilities as a result of changes in actuarial valuations.

Other major shifts in current and long-term liabilities resulted from \$3.08 million in scheduled payments on long-term bond debt and notes from direct borrowings. In addition, the recognition of current and long-term liabilities totaling an additional \$2.20 million were recorded as net additions to lease liabilities. For additional information on these liabilities, please refer to Notes 8 and 9.

The University reports deferred outflows and inflows of resources for pension and OPEB plans. Any increases or decreases to the deferred outflows or inflows of resources for the respective plans are due to changes in actuarial valuations. For more information about the University's deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, refer to Notes 13 & 14 of the Notes to the Financial Statements, respectively. In addition, for more information on the underlying assumptions related to these matters, please refer to the Required Supplemental Information (RSI) schedules for both pension and OPEB.

General Discussion of University’s Net Position

The components of net position are shown in the graph below.



Net position represents residual interest in the University’s assets and deferred outflows of resources after deduction of all liabilities and deferred inflows of resources. For financial reporting purposes, net position is divided into three major components as discussed below.

Net investment in capital assets represents the University’s investment in capital assets such as land, construction in progress, buildings, machinery and equipment, general infrastructure, arts, literature, and artifacts, right-to-use leased assets, and SBITAs, net of accumulated depreciation/amortization, deferred outflows of resources, deferred inflows of resources, and outstanding liabilities attributable to the acquisition, construction, or improvement of those assets. In fiscal 2025, the \$2.03 million increase is primarily due to the net increase in capital assets discussed above and in the Major Capital Projects section below, as well as the continued payment of capital related debt.

Restricted net position is subject to externally imposed restrictions governing use and is further divided into two categories: nonexpendable and expendable. Restricted nonexpendable net position primarily includes the University’s permanent endowment funds received from donors for the purpose of creating present and future income. These funds, according to donor restrictions, must be held in perpetuity or for a specified period of time. Restricted nonexpendable funds increased

\$3.04 million due primarily to a \$2.40 million endowment gift received during the period. The remaining increase is due to a reclassification of a portion of an endowment from restricted expendable to restricted nonexpendable.

Restricted expendable net position is typically comprised of income from invested endowed funds, grants from others, gifts with specific restrictions on spending, and funds restricted for capital projects. In fiscal 2025, this category increased by \$1.62 million primarily due to the additional restricted cash for future capital and repair projects funding received over the prior year as mentioned above.

Unrestricted net position is not subject to externally imposed restrictions. Substantially all the University’s unrestricted net position has been designated for various programs and initiatives. Unrestricted net position has seen a significant decline due to the implementations of GASB Statement No. 68 for pensions and GASB Statement No. 75 for OPEB, both requiring the recognition of significant liabilities, deferred outflows of resources, and deferred inflows of resources for financial reporting. These components are allocations from the State of North Carolina as a whole and are not within the University management’s control. Given the magnitude of its share of the Retiree Health Benefit Fund’s (RHBF) unfunded net OPEB liability component, it appears that the University’s unrestricted net position will remain in a deficit from this point forward unless the funding status of RHBF dramatically changes.

The \$75.11 million negative impact on unrestricted net position from both the RHBF net OPEB liability components and the net pension liability components is from the two aforementioned GASB standards and is disclosed in Note 10. The negative effect from these components was lower than fiscal year 2024 by \$1.58 million as shown below. The University’s remaining unrestricted net position for fiscal year 2025 reflected an increase of \$9.34 million due primarily to an increase in unrestricted cash of \$8.38 million as compared to the prior year related to additional cash in auxiliary trust funds and remaining unspent Hurricane Helene recovery funds as discussed above.

Unrestricted Net Position Adjusted for the Impact of Pension and OPEB Related Items

	Fiscal 2025	Fiscal 2024	\$ Change	% Change
Total Unrestricted Net Postion	\$ (53,478,670.52)	\$ (64,399,037.00)	\$ 10,920,366.48	16.96%
Effect of GASB 68 - Pensions (Note 10)	8,999,983.90	7,432,152.18	1,567,831.72	21.10%
Effect of GASB 75 - OPEB - RHBF (Note 10)	66,113,717.00	69,263,070.22	(3,149,353.22)	-4.55%
Remaining Unrestricted Net Position	\$ 21,635,030.38	\$ 12,296,185.40	\$ 9,338,844.98	75.95%

Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* (SRECNP) presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. Given a public university’s dependency on revenues such as state appropriations, grants, gifts, and investment income, which are prescribed by the GASB as nonoperating revenues, operating expenses will exceed operating revenues, resulting in an operating loss. Therefore, nonoperating revenues and expenses are integral components in determining the increase or decrease in net position and in analyzing the core performance of the University as a whole. The following table is a condensed, comparative review of the Statement of Revenues, Expenses, and Changes in Net Position for fiscal years 2025 and 2024:

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

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenues				
Student Tuition and Fees, Net	\$ 11,325,662.32	\$ 18,261,886.89	\$ (6,936,224.57)	-37.98%
Sales and Services, Net	15,313,465.25	14,973,475.97	339,989.28	2.27%
Grants and Contracts	4,762,656.34	4,736,332.94	26,323.40	0.56%
Other Operating Revenues, Net	1,682,721.11	1,960,984.81	(278,263.70)	-14.19%
Total Operating Revenues	<u>33,084,505.02</u>	<u>39,932,680.61</u>	<u>(6,848,175.59)</u>	-17.15%
Operating Expenses				
Salaries and Benefits	68,009,224.57	70,348,932.85	(2,339,708.28)	-3.33%
Supplies and Services	22,101,439.49	20,133,955.50	1,967,483.99	9.77%
Scholarships and Fellowships	4,831,578.15	5,130,744.88	(299,166.73)	-5.83%
Utilities	3,053,276.19	3,078,642.95	(25,366.76)	-0.82%
Depreciation/Amortization	10,413,639.05	9,616,913.43	796,725.62	8.28%
Total Operating Expenses	<u>108,409,157.45</u>	<u>108,309,189.61</u>	<u>99,967.84</u>	0.09%
Operating Loss	<u>(75,324,652.43)</u>	<u>(68,376,509.00)</u>	<u>(6,948,143.43)</u>	10.16%
Nonoperating Revenues (Expenses)				
State Appropriations	54,097,581.00	54,567,497.00	(469,916.00)	-0.86%
State Aid - Hurricane Helene Recovery Funds	8,576,161.81	-	8,576,161.81	
State Aid - Sports Wagering	2,014,019.94	821,206.48	1,192,813.46	145.25%
State Aid - Coronavirus	231,282.75	208,866.10	22,416.65	10.73%
Student Financial Aid & Noncapital Contributions	17,371,052.01	14,321,025.49	3,050,026.52	21.30%
Investment Income, Net	4,012,953.24	3,662,028.24	350,925.00	9.58%
Interest and Fees on Debt	(2,962,089.09)	(3,321,047.77)	358,958.68	-10.81%
Other Nonoperating Revenues (Expenses)	(927,726.65)	10,817.26	(938,543.91)	-8676.36%
Net Nonoperating Revenues	<u>82,413,235.01</u>	<u>70,270,392.80</u>	<u>12,142,842.21</u>	17.28%
Income Before Other Revenues	7,088,582.58	1,893,883.80	5,194,698.78	274.29%
Capital Contributions	7,883,849.80	8,283,340.31	(399,490.51)	-4.82%
Additions to Endowments	2,642,000.00	140,543.06	2,501,456.94	1779.85%
Increase in Net Position	17,614,432.38	10,317,767.17	7,296,665.21	70.72%
Beginning Net Position	<u>142,201,680.14</u>	<u>131,883,912.97</u>	<u>10,317,767.17</u>	7.82%
Ending Net Position	<u>\$159,816,112.52</u>	<u>\$142,201,680.14</u>	<u>\$17,614,432.38</u>	12.39%
Reconciliation of Change in Net Position				
Total Revenues	\$129,913,405.57	\$121,948,004.55	\$ 7,965,401.02	6.53%
Less: Total Expenses	<u>112,298,973.19</u>	<u>111,630,237.38</u>	<u>668,735.81</u>	0.60%
Increase in Net Position	<u>\$ 17,614,432.38</u>	<u>\$ 10,317,767.17</u>	<u>\$ 7,296,665.21</u>	70.72%

General Discussion of Changes in Statement of Revenues, Expenses, and Changes in Net Position

In summary, the change to the increase in net position from fiscal 2024 to fiscal 2025 was \$7.30 million or 70.72%. Several major matters occurred in fiscal 2025 resulting in large fluctuations within the SRECNP year over year and are discussed below.

Net student tuition and fees declined \$6.94 million or 37.98% due to the combined net effect of three major factors, 1) Helene related tuition and fee credits to students resulting in an additional \$4.34 million of institutional aid that is applied to the scholarship discount, which reduces net tuition revenue; 2) a change in methodology for calculation of the scholarship discount whereby a higher

portion of the scholarship discount is applied to tuition and fees; and 3) these factors were partially offset by increased revenues from enrollment growth. Additional pertinent information is as follows:

- Helene related tuition and fee credits to students for spring and summer 2024 – As part of the institutional aid provided to students in fiscal 2025, an additional \$3.36 million in Helene related aid was provided to students from the \$5.50 million received in Hurricane Helene relief to the University from the State. The effect of this additional aid is an increase in the scholarship discount that is applied as a reduction to tuition and fees.
- Change in methodology for calculation and allocation of scholarship discounts - For fiscal year 2025, the University changed its accounting methodology related to tuition discounting. The change occurred due to the issuance of NACUBO Advisory Report 2023-01 – Public Institutions: Accounting for and Reporting Financial Aid as a Discount. The University utilized the alternative method in previous years, but during fiscal year 2025 the University utilized student account transaction information to discount revenues based on the actual application of payments. The change in accounting methodology affects sales and services, net, student tuition and fees, net, and scholarships and fellowships expenses. Under the new guidance, the discount is applied to tuition and fees first and then to sales and services. The combined charge to these categories then reduces scholarship expenses. The change was made to the statements for fiscal year 2025, contributing to the decrease.
- Increased enrollment year over year – UNCA's average total headcount for the fiscal 2025 regular term was 92 students or 3.24% higher than fiscal 2024. In addition, summer 2025 saw a 377 student or 45.75% increase over the same time frame in fiscal 2024. These factors led to an increase in gross tuition and fees of \$1.16 million.

Net sales and services revenues were flat due to Hurricane Helene auxiliary services student credits of \$2.60 million. Helene related housing, dining, and parking credits were provided to students because of campus closure in the aftermath of Hurricane Helene. Absent these credits, sales and services revenues would have risen by approximately \$2.94 million or 19.63%.

Salaries and benefits declined \$2.34 million or 3.33%. This decline was anticipated due to the initiatives taken as part of the University's comprehensive strategy launched during 2024. The comprehensive strategy included, among other things, reduced personnel, a reduction in workforce, and an academic portfolio review. Effects of this plan were realized in fiscal 2025, including a headcount reduction from 784 as of June 30, 2024, to 734 as of June 30, 2025, a 6.38% decline. In addition, costs related to the use of adjunct professors and non-employees was down \$0.51 million or 24%.

Supplies and services increased \$1.97 million as Hurricane Helene expenses for cleanup and restoration were incurred, some of which were reimbursed or are reimbursable from the Federal Emergency Management Agency (FEMA).

State Helene Recovery Funds of \$8.58 million were Hurricane Helene-related funding from the State and FEMA reimbursements for eligible expenses. The Disaster Recovery Act of 2024 (as amended) provided the University \$5.50 million in relief to be used for either student grants up to the in-state tuition rate, or to be used in the Chancellor's discretion to help the University following amendments made in Senate Bill 382, as discussed above. The State also granted \$0.96 million for emergency grants to the University's students. During fiscal 2025, \$2.12 million in FEMA reimbursements were received related to eligible personnel and non-personnel costs.

State sports wagering revenues increased as the State’s program related to these funds experienced its first full year.

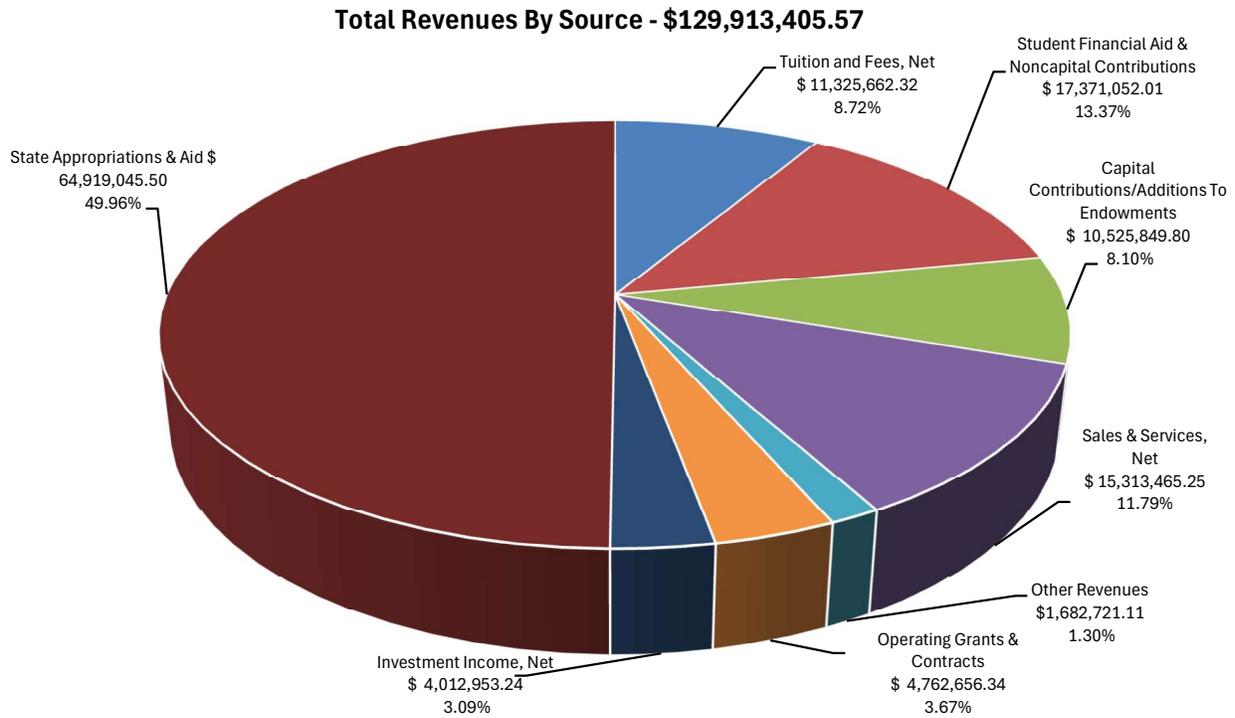
Student financial aid & noncapital contributions rose \$3.05 million or 21.30% due to additional Pell grants of \$2.08 million and an additional \$1.51 million in state-related aid for qualifying students due to higher enrollment, including an additional \$0.50 million in State-related scholarship allocations for students affected by hurricane Helene.

Other nonoperating revenues (expenses) declined by \$0.94 million due to \$1.20 million in Hurricane Helene related grants to students, faculty, and staff affected by Hurricane Helene. The State’s Hurricane Helene recovery funds provided \$0.96 million to students, and private contributions through the Foundation funded the remaining \$0.24 million to students, faculty, and staff.

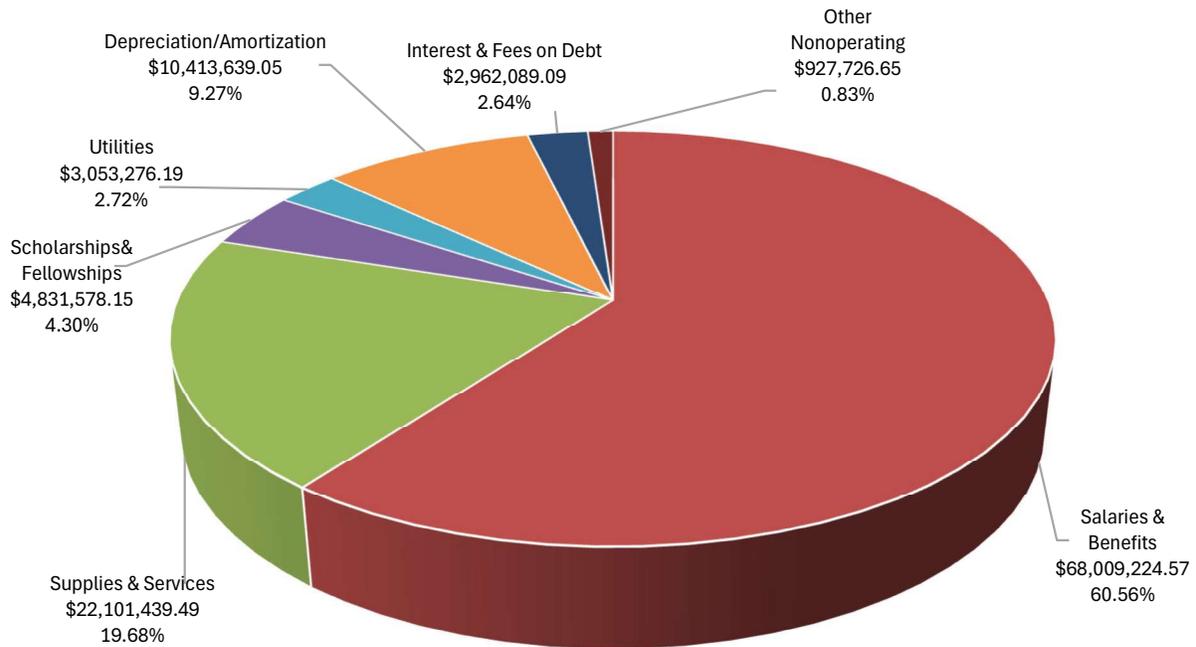
Additions to endowments increased by \$2.50 million due to a \$2.64 million scholarship related donation received.

Additional Summary Information

A summary of the University’s fiscal year 2025 total of all revenues and expenses by source and natural classification is as follows:

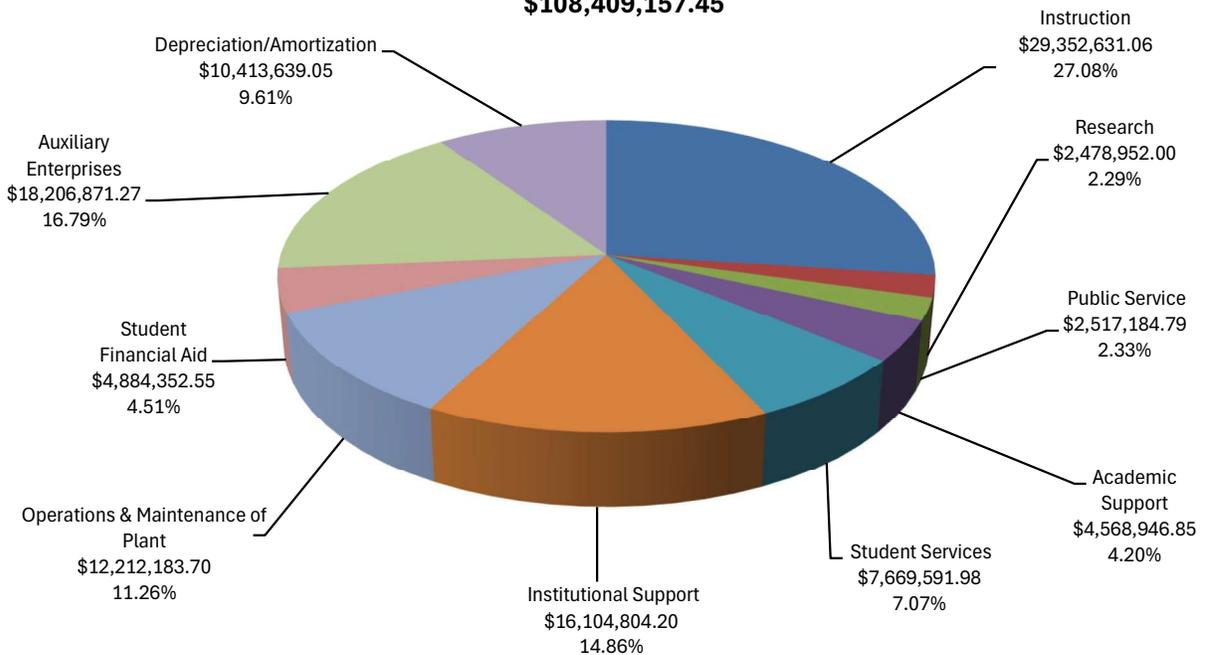


Total Expenses By Natural Classification \$112,298,973.19



Operating expenses by functional area for fiscal year are shown in the graph below:

Operating Expenses by Functional Area - \$108,409,157.45



Major Capital Projects, Debt Administration and Debt Rating

Lipinsky Hall Renovation

The State of North Carolina has approved \$36.20 million for comprehensive renovations to Lipinsky Hall, with total renovation costs estimated at approximately \$41.0 million. This project will add a multipurpose state-of-the-art facility to campus. The anticipated completion date is June 2027. As of June 30, 2025, \$1.46 million in costs have been capitalized for this project as construction in progress.

Moody’s Credit Rating Update

On June 5, 2025, Moody’s issued an update to its February 7, 2024, credit analysis. Based on its update, Moody’s affirmed the University’s credit rating of A2 on its general revenue and system pool revenue bond ratings but revised the outlook to stable from negative. In its rating action, Moody’s cited credit strengths including the “strong level of operating and capital appropriations received from the Aaa-rated State of North Carolina” and state operating support “well above peer medians, while state capital appropriations help to mitigate the need for additional debt and support an age of plant of 14 years, comparable to peer medians.” In affirming the A2 rating on UNCA's general revenue bonds, the rating agency cited “the overall credit quality of the University and the relatively sizeable pool of available funds identified for repayment, despite tuition payments and state appropriations being excluded.”

Offsetting credit factors cited include “a highly competitive student market in North Carolina which has resulted in enrollment declines and coupled with state pricing restrictions and a price sensitive student population partially constrain net student revenue growth.”

For additional information concerning capital assets and debt administration, see Notes 6 and 8, respectively.

Economic Outlook

The University maintains strong admission standards for incoming freshman as the institution continues to enhance its national profile. The following table compares fall semester total headcount and full-time-equivalent (FTE) students for the previous five years.

Fall Semester	2020	2021	2022	2023	2024
Undergraduate Headcount	3,358	3,233	2,914	2,907	3,032
Graduate Headcount	5	0	0	18	24
Total Headcount	3,363	3,233	2,914	2,925	3,056
Undergraduate FTE	3,104	3,010	2,717	2,703	2,845
Graduate FTE	3	0	0	18	24
Total FTE	3,107	3,010	2,717	2,721	2,869

In reviewing the five-year horizon above, UNC Asheville’s Fall 2024 total headcount increase represented the second consecutive year of enrollment increases after 5 years of enrollment decline. The census reflected a current overall headcount of 3,056 (4.4% increase over 2023) along with 2,869 FTE (5.4% increase over 2024).

In addition, the incoming class of new students – 1,027 in all – is the third largest in the University's history. Included in this, new first time student enrollment increased 15.6% over 2023 and 43.6% over two years. New transfer student enrollment increased 11.2%.

In spite of Hurricane Helene, the Spring 2025 retention rate for first time students entering in fall 2024 was 92.8%, the highest since the fall 2015 cohort. The Spring 2025 retention rate for all fall 2024 students who did not graduate was 93.2%, an improvement over the fall 2023 rate of 92.5%.

Helene's impact on the critical fall recruiting season resulted in Fall 2025's enrollment of 2,874, a 5.96% decrease over our fall headcount in Fall 2024. A key offsetting factor to this decline in enrollment is a 75.0% fall-to-fall or one-year retention rate for the Fall 2024 cohort, a 2.9% improvement over the prior period's one-year retention rate. This retention rate also represents the highest fall to fall retention for a cohort since Fall 2019 (76.0%) and the third highest one-year retention increase since 2009 (3.5% increase for Fall 2018, 4.9% increase for Fall 2021).

As the only designated undergraduate liberal arts university in the University of North Carolina System, UNC Asheville stimulates learning by offering students an intellectually rigorous education that builds critical thinking and workforce skills to last a lifetime. Small class sizes, award-winning faculty, and a nationally acclaimed undergraduate research program foster innovation as well as recognition.

Looking ahead, a crucial element to the University's future will continue to be the level of state funding and managing enrollment to achieve optimal academic profiles, selectivity, and net tuition revenue.

The University will strategically seek alternative funding sources through its Millennial Campus, contract and grant funding, conferences and camps, and private fundraising. The University will continue to employ its investment strategy to maximize total returns, at an appropriate level of risk in accordance with our strategic plan, while utilizing a spending rate policy to insulate the University's operations from temporary market volatility. The University will also continue to control its spending to be in accordance with available revenue sources.

While it is not possible to predict the ultimate results, management believes that with continued prudent strategic efficiency measures, the support of the State of North Carolina, and faithful donors, the University is well positioned to continue its level of excellence of service to students, the community, and governmental agencies.



Financial Statements

The University of North Carolina at Asheville
Statement of Net Position
June 30, 2025

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 27,274,048.23
Restricted Cash and Cash Equivalents	3,686,134.64
Receivables, Net (Note 5)	1,857,985.34
Inventories	321,361.50
Notes Receivable, Net (Note 5)	96,640.45
Leases Receivable	269,174.51

Total Current Assets	33,505,344.67
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	4,298,687.13
Endowment Investments	30,211,231.87
Notes Receivable, Net (Note 5)	13,675.15
Leases Receivable	225,059.73
Net Other Postemployment Benefits Asset	81,999.00
Capital Assets - Nondepreciable (Note 6)	16,494,099.25
Capital Assets - Depreciable, Net (Note 6)	238,203,177.88

Total Noncurrent Assets	289,527,930.01
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Total Assets	323,033,274.68
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	9,508,791.10
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	23,570,155.67

Total Deferred Outflows of Resources	33,078,946.77
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	3,190,101.42
Deposits Payable	30,000.00
Unearned Revenue	2,743,360.33
U.S. Government Grants Refundable	48,246.00
Interest Payable	552,244.72
Long-Term Liabilities - Due To University Component Unit - Current Portion (Note 8)	49,733.89
Long-Term Liabilities - Current Portion (Note 8)	5,660,761.54

Total Current Liabilities	12,274,447.90
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Noncurrent Liabilities:

Deposits Payable	42,794.34
Funds Held for Others	65,694.27
U.S. Government Grants Refundable	204,263.36
Long-Term Liabilities - Due To University Component Unit (Note 8)	1,615,103.36
Long-Term Liabilities, Net (Note 8)	167,827,505.98

Total Noncurrent Liabilities	169,755,361.31
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Total Liabilities	182,029,809.21
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The University of North Carolina at Asheville
Statement of Net Position
June 30, 2025

Exhibit A-1
Page 2 of 2

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Refunding	24,137.30
Deferred Inflows Related to Pensions	201,288.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	13,583,384.00
Deferred Inflows for Leases	457,490.42
	<hr/>
Total Deferred Inflows of Resources	14,266,299.72
	<hr/>

NET POSITION

Net Investment in Capital Assets	176,384,052.71
Restricted:	
Nonexpendable:	
True Endowments	12,951,802.99
Expendable:	
Scholarships, Research, Instruction, and Other	19,620,587.55
Capital Projects	4,215,159.34
Debt Service	123,180.45
	<hr/>
Total Restricted-Expendable Net Position	23,958,927.34
	<hr/>
Unrestricted	(53,478,670.52)
	<hr/>
Total Net Position	\$ 159,816,112.52
	<hr/> <hr/>

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

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

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 11)	\$ 11,325,662.32
Federal Grants and Contracts	1,886,118.35
State and Local Grants and Contracts	1,736,568.45
Nongovernmental Grants and Contracts	1,139,969.54
Sales and Services, Net (Note 11)	15,313,465.25
Interest Earnings on Loans	17,364.88
Other Operating Revenues, Net (Note 11)	1,665,356.23
	<u>33,084,505.02</u>
Total Operating Revenues	<u>33,084,505.02</u>

OPERATING EXPENSES

Salaries and Benefits	68,009,224.57
Supplies and Services	22,101,439.49
Scholarships and Fellowships	4,831,578.15
Utilities	3,053,276.19
Depreciation/Amortization	10,413,639.05
	<u>108,409,157.45</u>
Total Operating Expenses	<u>108,409,157.45</u>
Operating Loss	<u>(75,324,652.43)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	54,097,581.00
State Aid - Hurricane Helene Recovery Funds	8,576,161.81
State Aid - Sports Wagering	2,014,019.94
State Aid - Coronavirus	231,282.75
Student Financial Aid	11,748,246.76
Noncapital Contributions	5,622,805.25
Investment Income (Net of Investment Expense of \$125,674.66)	4,012,953.24
Interest and Fees on Debt	(2,962,089.09)
Other Nonoperating Expenses	(927,726.65)
	<u>82,413,235.01</u>
Net Nonoperating Revenues	<u>82,413,235.01</u>
Income Before Other Revenues	<u>7,088,582.58</u>
Capital Contributions	7,883,849.80
Additions to Endowments	2,642,000.00
	<u>10,525,849.80</u>
Total Other Revenues	<u>10,525,849.80</u>
Increase in Net Position	<u>17,614,432.38</u>

NET POSITION

Net Position - July 1, 2024	<u>142,201,680.14</u>
Net Position - June 30, 2025	<u>\$ 159,816,112.52</u>

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

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

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 32,702,156.68
Payments to Employees and Fringe Benefits	(71,544,999.50)
Payments to Vendors and Suppliers	(24,481,153.63)
Payments for Scholarships and Fellowships	(4,831,578.15)
Collection of Loans	92,219.83
Interest Earned on Loans	17,364.88
William D. Ford Direct Lending Receipts	9,011,850.00
William D. Ford Direct Lending Disbursements	(9,011,850.00)
Related Activity Agency Receipts	1,110.45
Other Receipts	436,203.57
	<hr/>
Net Cash Used by Operating Activities	(67,608,675.87)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	54,097,581.00
State Aid- Hurricane Helene Recovery Funds	8,576,161.81
State Aid - Sports Wagering	2,014,019.94
State Aid - Coronavirus	231,282.75
Student Financial Aid	11,675,173.76
Noncapital Contributions	5,599,663.25
Additions to Endowments	2,642,000.00
	<hr/>
Total Cash Provided by Noncapital Financing Activities	84,835,882.51

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Capital Contributions	7,823,879.82
Proceeds from Lease Arrangements	303,545.04
Acquisition and Construction of Capital Assets	(6,182,194.39)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(5,812,152.07)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(3,269,583.89)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(7,136,505.49)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	2,084,551.24
Investment Income	949,200.14
Purchase of Investments and Related Fees	(2,408,036.76)
	<hr/>
Net Cash Provided by Investing Activities	625,714.62
Net Increase in Cash and Cash Equivalents	10,716,415.77
Cash and Cash Equivalents - July 1, 2024	24,542,454.23
	<hr/>
Cash and Cash Equivalents - June 30, 2025	\$ 35,258,870.00

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

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (75,324,652.43)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	10,413,639.05
Lease Income (Amortized Deferred Inflows of Resources)	(301,426.01)
Allowances, Write-Offs, and Amortizations	75,429.90
Other Nonoperating Expenses	(927,726.65)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(232,470.81)
Inventories	(26,203.97)
Notes Receivable, Net	92,219.83
Net Other Postemployment Benefits Asset	(81,999.00)
Deferred Outflows Related to Pensions	2,168,871.72
Deferred Outflows Related to Other Postemployment Benefits	(12,441,977.89)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(957,294.39)
Funds Held for Others	1,110.45
Unearned Revenue	1,472,435.43
Net Pension Liability	(370,136.00)
Net Other Postemployment Benefits Liability	17,197,179.00
Compensated Absences	(307,136.00)
Deposits Payable	(15,021.75)
Workers' Compensation Liability	104,032.65
Deferred Inflows Related to Pensions	(230,904.00)
Deferred Inflows Related to Other Postemployment Benefits	(7,916,645.00)
Net Cash Used by Operating Activities	<u>\$ (67,608,675.87)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 6,180,197.10
Assets Acquired through a Gift	59,969.98
Change in Fair Value of Investments	3,019,455.63
Amortization of Bond Premiums/Discounts	(301,489.05)
Amortization of Deferred Gain/Loss on Refunding	(5,682.66)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(23,142.00)

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

The University of North Carolina at Asheville Foundation, Inc.
Consolidated Statement of Financial Position
June 30, 2025

Exhibit B-1

CURRENT ASSETS

Cash and Cash Equivalents	\$ 6,666,420.39
Sales Tax Receivable	37,036.86
Other Receivables	263,781.12
Promises to Give, Net	887,934.15
Due from University	49,733.89
Prepaid Expense	160,229.94

Total Current Assets 8,065,136.35

PROPERTY AND EQUIPMENT, NET

1,902,545.39

OPERATING LEASE RIGHT-OF-USE ASSETS

481,611.73

OTHER ASSETS

Investments	53,595,549.34
Promises to Give, Net	1,016,514.40
Beneficial Interests	473,177.04
Prepaid Expense	5,787.50
Due from University	1,615,103.36

Total Other Assets 56,706,131.64

Total Assets \$ 67,155,425.11

CURRENT LIABILITIES

Current Portion of Long-Term Debt	\$ 99,119.97
Current Portion of Operating Lease Liability	67,773.73
Accounts Payable	376,368.38
Construction Contracts Payable	207,306.46
Contracts Retainage Payable	10,910.86
Unearned Revenue	267,648.87
Annuities Payable	76,439.96

Total Current Liabilities 1,105,568.23

NONCURRENT LIABILITIES

Annuities Payable	309,315.06
Notes Payable	3,137,481.27
Operating Lease Liability	446,547.99

Total Noncurrent Liabilities 3,893,344.32

Total Liabilities 4,998,912.55

NET ASSETS

Without Donor Restrictions	1,923,680.36
With Donor Restrictions	60,232,832.20

Total Net Assets 62,156,512.56

Total Liabilities and Net Assets \$ 67,155,425.11

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

The University of North Carolina at Asheville Foundation, Inc.
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2025

Exhibit B-2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES AND PUBLIC SUPPORT			
Contributions	\$ 747,357.32	\$ 6,324,463.59	\$ 7,071,820.91
Contributions - Gifts in Kind	433,133.25	57,199.54	490,332.79
Grant Revenues	-	181,846.50	181,846.50
Net Investment Income	554,379.32	4,937,925.76	5,492,305.08
Gain on Beneficial Interests	-	32,472.24	32,472.24
Special Events	-	25,241.67	25,241.67
Rental and Lease Income	269,757.00	-	269,757.00
Other Income	255.27	132,726.09	132,981.36
Net Assets Released from Restriction	5,631,017.97	(5,631,017.97)	-
	<u>7,635,900.13</u>	<u>6,060,857.42</u>	<u>13,696,757.55</u>
OPERATING EXPENSES			
Program Services	6,520,109.52	-	6,520,109.52
Supporting Services:			
Management and General	516,294.79	-	516,294.79
Fundraising	467,851.28	-	467,851.28
	<u>7,504,255.59</u>	<u>-</u>	<u>7,504,255.59</u>
	<u>131,644.54</u>	<u>6,060,857.42</u>	<u>6,192,501.96</u>
OTHER CHANGES			
Flood Insurance Proceeds	500,000.00	-	500,000.00
Flood Damage Assessment and Mitigation Services	(287,917.00)	-	(287,917.00)
Impairment of Long-Lived Asset	(631,740.39)	-	(631,740.39)
	<u>(288,012.85)</u>	<u>6,060,857.42</u>	<u>5,772,844.57</u>
NET ASSETS			
Net Assets at Beginning of Year	<u>2,211,693.21</u>	<u>54,171,974.78</u>	<u>56,383,667.99</u>
Net Assets at End of Year	<u>\$ 1,923,680.36</u>	<u>\$ 60,232,832.20</u>	<u>\$ 62,156,512.56</u>

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

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

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

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

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

The consolidated financial statements of the Foundation contain the financial information of the following wholly owned subsidiaries: UNC Asheville Baseball Stadium, LLC, UNC Asheville Real Estate, LLC, UNC Asheville Foundation Makerspace, LLC, and UNC Asheville Foundation Riverside Property, LLC. Further information on these entities can be obtained from the consolidated financial statements of the Foundation as described below.

During the year ended June 30, 2025, the Foundation distributed \$4,631,360.35 to the University for both restricted and unrestricted purposes, of which \$175,000.00 is recorded in unearned revenue. The University has a \$1,664,837.25 contractual obligation to repay funds to the Foundation related to improvements of the Karl Strauss Track facility. The principal

amount of \$49,733.89 related to this obligation is recorded in current liabilities. The principal amount of \$1,615,103.36 is recorded in noncurrent liabilities. Additional disclosures related to this transaction are in Note 8.

On May 28th, 2025, the University entered into a one-year operating agreement with the Foundation. This operating agreement is related to a housing agreement the Foundation entered into with Campus Crest at Asheville, LP ("Campus Crest") on April 1, 2025. The Foundation entered into the housing agreement with Campus Crest to secure the exclusive use of eighty-one (81) bedrooms located in twenty-seven (27) apartments at an apartment complex in Asheville for student housing beginning August 13, 2025. In consideration of the Foundation's lease obligations to Campus Crest, the University agreed to pay the Foundation the total amount of \$849,123.00, in a lump sum or monthly installments equal to the Foundation's obligations under the Campus Crest lease beginning July 15, 2025. The University is responsible for all aspects of the marketing, assigning, and managing the occupancy and student life related to the units rented. Complete consolidated financial statements for the Foundation can be obtained from the Vice Chancellor of Advancement, 224 W.T. Weaver Building, CPO 3800, One University Heights, Asheville, North Carolina 28804, or by calling 828-232-5134.

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

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

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

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments

also include amounts internally designated by the University for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts.

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-100 years
Machinery and Equipment	2-30 years
Art, Literature, and Artifacts	2-25 years
General Infrastructure	10-75 years

The University does not capitalize the collections considered to be inexhaustible or the general collections for use in the Ramsey Library or in other campus locations. These collections adhere to the University's policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve. 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 \$100,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$10,000 or greater and an estimated useful life of more than one year.

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

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

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

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

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

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 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 2024 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 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 State Human Resource Act, vacation is earned through the annual or personal leave programs established by the University of North Carolina Board of Governors. Leave is earned monthly and is subject to a maximum accumulated unused amount as of the end of each calendar year. The maximum amounts and the ability to convert amounts over the maximum to sick leave vary based on the program.

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

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

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

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

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the

University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

- O. Scholarship Discounts** - Student tuition and fees revenues and auxiliary service revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount. The allocation of the scholarship discounts to tuition and fees revenues and auxiliary service revenues was changed in fiscal year 2025 to follow updated guidance from the National Association of College and University Business Officers (NACUBO). The updated guidance recommended the allocation of scholarship discounts be based on an analysis of individual student account charges and financial aid payments from the student management information system versus the use of aggregated student financial aid and aggregated revenue amounts.
- P. Revenue and Expense Recognition** - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

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

Note 2 - Deposits and Investments

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

At June 30, 2025, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$35,241,961.49, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 2.1 years as of June 30, 2025. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Cash on hand at June 30, 2025 was \$8,118.05. The carrying amount and bank balance of the University's deposits not with the State Treasurer was \$8,790.46. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2025, the University's bank balance was not exposed to custodial credit risk.

B. Investments

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

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

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

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

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

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

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 unitized method. Under this method, each participating fund’s investment balance is determined on the basis of the number of units purchased less sales multiplied by the current market value. The investment strategy, including the selection of investment managers, is based on the directives of the Board of Trustees of the Endowment Fund. At year-end, approximately 90 percent of the pooled investments were held with the UNC Investment Fund, LLC and the remainder was held with the Boston Trust Walden Company.

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

Long-Term Investment Pool

Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
U.S. Treasuries	\$ 584,714.93	\$ -	\$ 221,713.61	\$ 363,001.32
Money Market Mutual Funds	14,407.73	14,407.73	-	-
Domestic Corporate Bonds	201,666.10	24,529.75	108,093.85	69,042.50
Total Debt Securities	800,788.76	<u>\$ 38,937.48</u>	<u>\$ 329,807.46</u>	<u>\$ 432,043.82</u>
Other Securities				
UNC Investment Fund	27,776,647.32			
Domestic Stocks	1,535,917.29			
Foreign Stocks	97,878.50			
Total Long-Term Investment Pool	<u>\$ 30,211,231.87</u>			

At June 30, 2025, investments in the Long-Term Investment Pool had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	A	BBB Baa
Money Market Mutual Funds	\$ 14,407.73	\$ 14,407.73	\$ -	\$ -
Domestic Corporate Bonds	201,666.10	34,219.60	108,353.90	59,092.60
Totals	\$216,073.83	\$ 48,627.33	\$ 108,353.90	\$ 59,092.60

Rating Agency: Moody's Investor Service, Inc.

UNC Investment Fund, LLC - At June 30, 2025, the University's investments include \$27,776,647.32, 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.

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

Investment Type	2025		
	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Membership Interest in UNC Investment Fund LLC	\$ 11,159,414.16	\$ 47,735,437.13	\$ 36,576,022.97
U.S. Treasury Notes and Government Securities	1,274,216.50	1,228,161.93	(46,054.57)
Money Market Mutual Fund	26,427.62	26,427.62	-
Domestic Corporate Bonds	445,917.70	426,076.80	(19,840.90)
Domestic Mutual Funds	511,441.28	640,656.37	129,215.09
Foreign Mutual Funds	93,090.45	100,003.43	6,912.98
Energy Mutual Funds	14,601.45	13,569.60	(1,031.85)
Domestic Stocks	2,386,441.85	3,218,628.69	832,186.84
Foreign Stocks	139,051.59	206,587.77	67,536.18
Total Investments	\$ 16,050,602.60	\$ 53,595,549.34	\$ 37,544,946.74

The following schedule summarizes investment return and its classification in the Consolidated Statement of Activities for the year ended June 30, 2025:

	Total
Interest and Dividends	\$ 336,951.62
Investment Expenses	(197,258.70)
Realized Gains	1,660,428.81
Unrealized Gains	3,692,183.35
Net Investment Income	\$ 5,492,305.08

Note 3 - Fair Value Measurements

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

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

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

The following table summarizes the University’s investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2025:

	Fair Value Measurements Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	\$ 584,714.93	\$ 584,714.93	\$ -	\$ -
Money Market Mutual Funds	14,407.73	14,407.73	-	-
Domestic Corporate Bonds	201,666.10	201,666.10	-	-
Total Debt Securities	800,788.76	800,788.76	-	-
Other Securities				
Domestic Stocks	1,535,917.29	1,535,917.29	-	-
Foreign Stocks (denominated in U.S. Dollars)	97,878.50	97,878.50	-	-
Total Investments by Fair Value Level	2,434,584.55	\$ 2,434,584.55	\$ -	\$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	35,241,961.49			
UNC Investment Fund	27,776,647.32			
Total Investments as a Position in an External Investment Pool	63,018,608.81			
Total Investments Measured at Fair Value	\$ 65,453,193.36			

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.

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

There were no changes during the year to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following table sets forth by level, within the fair value measurements, fair value hierarchy. The Foundation's financial assets and liabilities are classified at their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Fair Value Measurements on a Recurring Basis as of June 30, 2025

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets:				
UNC Investment Fund LLC	\$ 47,735,437.13	\$ -	\$ -	\$ 47,735,437.13
Short-Term Investment Fund	5,711,340.36	-	5,711,340.36	-
U.S. Treasury Notes and Government Securities	1,228,161.93	1,228,161.93	-	-
Money Market Mutual Funds	26,427.62	26,427.62	-	-
Domestic Corporate Bonds	426,076.80	426,076.80	-	-
Domestic Mutual Funds	640,656.37	640,656.37	-	-
Foreign Mutual Funds	100,003.43	100,003.43	-	-
Energy Mutual Funds	13,569.60	13,569.60	-	-
Domestic Stocks	3,218,628.69	3,218,628.69	-	-
Foreign Stocks	206,587.77	206,587.77	-	-
Beneficial Interest in Charitable Remainder Trusts	91,715.40	-	-	91,715.40
Beneficial Interest in Perpetual Trust	222,922.83	-	-	222,922.83
Beneficial Interest in Assets Held by Others	158,538.81	-	-	158,538.81
Total Investments Measured at Fair Value	\$ 59,780,066.74	\$ 5,860,112.21	\$ 5,711,340.36	\$ 48,208,614.17

Fair Value Measurements at June 30, 2025 Using Significant Unobservable Inputs (Level 3)

	Level 3		
	UNC Investment Fund	Trusts	Total
Beginning Balance, July 1, 2024	\$ 44,027,980.72	\$ 455,704.80	\$ 44,483,685.52
Change in Value of Beneficial Interests	-	17,472.24	17,472.24
Unrealized Gains	3,470,009.70	-	3,470,009.70
Sales	(502,553.29)	-	(502,553.29)
Purchases	740,000.00	-	740,000.00
Ending Balance, June 30, 2025	\$ 47,735,437.13	\$ 473,177.04	\$ 48,208,614.17

UNC Investment Fund (the Fund) is valued at fair value by the Foundation as determined on a market unit valuation basis each month as provided by the Fund, which is in accordance with the UNC Investment Fund's operating procedures.

Beneficial interests in the perpetual trust and the charitable remainder unitrust are valued at fair value based on management's assumptions about the estimated future cash receipts from the Foundation's share of the fair market value of the trust's assets.

Beneficial interest in assets held by NC Gift Planning LLC (the LLC) is valued at fair value by the Foundation as determined by the LLC. In determining the reasonableness of the fair value, management of the Foundation receives and reviews statements from the LLC reflecting the market value of the assets held.

Disclosure of unobservable inputs to fair value measurement has not been disclosed for the investments because quantitative unobservable inputs are not developed by the Foundation when measuring fair value.

Note 4 - Endowment Investments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the University's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy which limits spending to 5% of the average of the endowment principal's three-year trailing market value. Under this policy, the spending policy is agreed upon prior to the beginning of the University's fiscal year and is maintained at that level unless altered

by Board action. To the extent that the total return for the current year exceeds the payout, the excess is added to the appreciation of the principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2025, net appreciation of \$11,213,414.55 was available to be spent, of which \$11,141,377.62 was classified in net position as restricted expendable for scholarships, research, instruction and other. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

Note 5 - Receivables

Receivables at June 30, 2025, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,062,435.92	\$ 837,368.87	\$ 1,225,067.05
Student Sponsors	19,579.33	-	19,579.33
Accounts	412,110.18	-	412,110.18
Intergovernmental	194,857.28	-	194,857.28
Interest on Loans	3,068.45	-	3,068.45
Other	3,303.05	-	3,303.05
Total Current Receivables	<u>\$ 2,695,354.21</u>	<u>\$ 837,368.87</u>	<u>\$ 1,857,985.34</u>
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	<u>\$ 534,579.13</u>	<u>\$ 437,938.68</u>	<u>\$ 96,640.45</u>
Notes Receivable - Noncurrent:			
Federal Loan Programs	<u>\$ 57,683.50</u>	<u>\$ 44,008.35</u>	<u>\$ 13,675.15</u>

Notes to the Financial Statements

Note 6 - Capital Assets

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

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets, Nondepreciable:				
Land	\$ 10,353,310.62	\$ -	\$ -	\$ 10,353,310.62
Art, Literature, and Artifacts	287,300.00	15,444.00	-	302,744.00
Construction in Progress	4,000,622.11	6,189,025.55	4,351,603.03	5,838,044.63
Total Capital Assets, Nondepreciable	14,641,232.73	6,204,469.55	4,351,603.03	16,494,099.25
Capital Assets, Depreciable:				
Buildings	324,956,792.55	59,841.18	308,601.00	324,708,032.73
Machinery and Equipment	13,935,465.59	756,109.44	910,323.63	13,781,251.40
Art, Literature, and Artifacts	201,500.00	-	6,500.00	195,000.00
General Infrastructure	27,715,470.08	4,291,761.85	16,938.25	31,990,293.68
Right-to-Use Leased Buildings	1,409,966.17	1,129,084.03	-	2,539,050.20
Right-to-Use Leased Machinery and Equipment	2,795,542.58	2,580,722.72	541,938.59	4,834,326.71
Right-to-Use Subscription Assets	3,901,018.25	1,043,456.78	385,909.30	4,558,565.73
Total Capital Assets, Depreciable	374,915,755.22	9,860,976.00	2,170,210.77	382,606,520.45
Less Accumulated Depreciation/Amortization for:				
Buildings	111,737,613.50	6,442,996.88	308,601.00	117,872,009.38
Machinery and Equipment	6,870,745.73	759,669.22	910,323.63	6,720,091.32
Art, Literature, and Artifacts	197,941.92	808.92	6,500.00	192,250.84
General Infrastructure	14,200,082.40	673,086.77	16,938.25	14,856,230.92
Right-to-Use Leased Buildings	580,428.22	293,646.70	-	874,074.92
Right-to-Use Leased Machinery and Equipment	1,443,008.88	1,068,732.10	541,938.59	1,969,802.39
Right-to-Use Subscription Assets	1,130,093.64	1,174,698.46	385,909.30	1,918,882.80
Total Accumulated Depreciation/Amortization	136,159,914.29	10,413,639.05	2,170,210.77	144,403,342.57
Total Capital Assets, Depreciable, Net	238,755,840.93	(552,663.05)	-	238,203,177.88
Capital Assets, Net	\$ 253,397,073.66	\$ 5,651,806.50	\$ 4,351,603.03	\$ 254,697,277.13

As of June 30, 2025, the total amount of right-to-use leased assets was \$7,373,376.91 and the related accumulated amortization was \$2,843,877.31.

Note 7 - Accounts Payable and Accrued Liabilities

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

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 1,539,503.06
Accounts Payable - Capital Assets	909,464.04
Accrued Payroll	583,422.93
Contract Retainage	117,376.28
Other	40,335.11
Total Current Accounts Payable and Accrued Liabilities	\$ 3,190,101.42

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, 2025, is presented as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 66,865,200.00	\$ -	\$ 3,028,800.00	\$ 63,836,400.00	\$ 3,234,600.00
Plus: Unamortized Premium	5,164,843.46	-	301,756.04	4,863,087.42	-
Less: Unamortized Discount	266.99	-	266.99	-	-
Total Revenue Bonds Payable, Net	72,029,776.47	-	3,330,289.05	68,699,487.42	3,234,600.00
Notes from Direct Borrowings	-	417,993.44	48,287.97	369,705.47	72,921.51
Total Long-Term Debt	72,029,776.47	417,993.44	3,378,577.02	69,069,192.89	3,307,521.51
Other Long-Term Liabilities					
Lease Liabilities	2,251,096.90	3,709,806.76	1,488,461.44	4,472,442.22	1,191,447.35
Subscription (SBITA) Liabilities	2,276,820.52	1,025,556.58	1,246,602.66	2,055,774.44	877,398.19
Employee Benefits					
Compensated Absences	3,615,318.00	100,912.00	408,048.00	3,308,182.00	268,569.00
Net Pension Liability	18,677,623.00	-	370,136.00	18,307,487.00	-
Net Other Postemployment Benefits Liability	58,891,219.00	17,236,221.00	62,184.00	76,065,256.00	-
Workers' Compensation	105,900.32	155,473.33	51,440.68	209,932.97	15,825.49
Total Other Long-Term Liabilities	85,817,977.74	22,227,969.67	3,626,872.78	104,419,074.63	2,353,240.03
Total Long-Term Liabilities, Net	\$ 157,847,754.21	\$ 22,645,963.11	\$ 7,005,449.80	\$ 173,488,267.52	\$ 5,660,761.54
Other Long-Term Debt					
Note from Direct Borrowing					
Due to University Component Unit	\$ 1,664,837.25	\$ -	\$ -	\$ 1,664,837.25	\$ 49,733.89

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 - The University was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
UNCA General Revenue Bonds					
UNCA Revenue Refunding Bond - Housing, Series 2002A	2012	2.32%	06/01/2027	\$ 6,345,400.00	\$ 1,413,400.00
UNCA Revenue Bond - Student Health, Counseling, Development Center	2013A	2.14%	04/01/2030	4,987,000.00	1,651,000.00
UNCA Revenue Bond - Athletics, Student Recreation Center	2014	2.89%	06/01/2029	1,039,500.00	327,000.00
UNCA Revenue Bond - Housing, Student Center Renovation	2017	3.00% *	06/01/2046	46,290,000.00	42,575,000.00
UNCA General Revenue Refunding Bonds - Housing, Series 2010	2019	5.00% *	06/01/2040	20,875,000.00	17,870,000.00
Total Revenue Bonds Payable (principal only)				\$ 79,536,900.00	63,836,400.00
Plus: Unamortized Premium					4,863,087.42
Total Revenue Bonds Payable, Net					\$ 68,699,487.42

* For variable rate debt, interest rates in effect at June 30, 2025 are included. These issues are traditional fixed rate with periodic changes to the annual rate over the obligation's term.

C. **Notes from Direct Borrowing and Due to University Component Unit** - The University was indebted for notes from direct borrowing, including a direct borrowing due to the Foundation, for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
Campus Police Vehicles	De Lage Landen	6.55%	04/30/2030	210,007.12	185,746.41
Campus Police Vehicles	De Lage Landen	6.55%	04/30/2030	207,986.32	183,959.06
Total Notes from Direct Borrowings				\$ 417,993.44	\$ 369,705.47
Due to University Component Unit					
Karl Strauss Track Improvement	UNCA Foundation	5.00%	06/01/2045	\$ 1,664,837.25	\$ 1,664,837.25

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

Fiscal Year	Annual Requirements					
	Revenue Bonds Payable		Due To University Component Unit		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 3,234,600.00	\$ 2,740,536.72	\$ 49,733.89	\$ 82,112.39	\$ 72,921.51	\$ 23,654.43
2027	3,357,800.00	2,608,261.00	52,278.37	79,567.91	77,907.38	18,668.56
2028	2,763,000.00	2,470,440.60	54,953.04	76,893.24	83,234.16	13,341.78
2029	2,857,000.00	2,371,879.90	57,764.53	74,081.75	88,925.15	7,650.79
2030	2,879,000.00	2,266,011.60	60,719.89	71,126.39	46,717.27	1,570.70
2031-2035	14,470,000.00	9,465,350.00	353,500.75	305,730.65	-	-
2036-2040	17,885,000.00	6,000,450.00	453,668.27	205,563.13	-	-
2041-2046	16,390,000.00	2,451,450.00	582,218.51	77,012.34	-	-
Total Requirements	\$ 63,836,400.00	\$ 30,374,379.82	\$ 1,664,837.25	\$ 972,087.80	\$ 369,705.47	\$ 64,886.26

Interest on the variable rate debt is predetermined in each of the bond covenants.

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

Revenue Bonds Payable - The University has five outstanding revenue bonds payable. The total principal outstanding balance at June 30, 2025 is \$63,836,400.00. All five issuances are governed by the General Trust Indenture (Indenture) dated September 1, 2002 between the Board of Governors of the University of North Carolina (Board) and Wachovia Bank, the successor to which is U.S. Bank National Association, as Trustee.

A security interest in the Trust Estate is granted under the Indenture to the Trustee for the benefit of the bondholders (Owners). The Trust Estate is defined as all property rights conveyed by the Board and includes (1) all moneys and securities held by the Trustee, the Board or any other depositories in any and all of the funds and accounts established under the Indenture, and (2) any additional property that may be subjected to a lien by the Board, or on its behalf, and the Trustee is hereby authorized to receive the same as additional security. The Indenture does not convey or create any pledge or lien on property owned by the Board or any revenues of the Board or University. The Trust Estate becomes immediately subject to the lien of the security interest in the event of non-delivery of debt service funds due.

An event of default occurs when: (1) there is a failure to pay the principal, interest or premium on any Bond due and payable at the stated maturity, or (2) failure by the Board to perform any

covenant, condition, agreement or provision contained in the Bonds or with the failure continuing for a period of thirty days after written notice requesting that it be remedied.

On the occurrence and continuance of an event of default, the Trustee may, or if required by a majority of the Owners of the Bonds, must, declare the Bonds to be immediately due and payable. The Trustee is also empowered to take whatever action at law in or in equity may appear necessary or desirable to enforce all rights of the Owners against the Board.

Due to University Component Unit - The University entered into a Funding and Reimbursement Agreement (Agreement) with the Foundation on May 10, 2022 for the purpose of improving and completing the Karl Strauss Track facilities. This agreement was later amended in August 2024, whereby the University agreed to repay the Foundation \$1,664,837.25 of funds advanced by the Foundation together with interest thereon. Such reimbursement is to occur within twenty-one (21) years from the completion of the project. Payments to the Foundation will be adjusted and the loan re-amortized with any additional principal payments received during the twenty-one (21) year term. There is no security or collateral provided by the University for the repayment of the funds, and nothing in the Agreement shall be construed as or constitute a pledge of the credit of the University or the State with respect to any amounts to be reimbursed to the Foundation.

Notes from Direct Borrowings - The University entered into two separate financing agreements with GMC Financial (De Lage Landen Financial Services, Inc.) on April 14, 2025. These were both 5-year agreements related to the financing of eight (four per agreement) campus police vehicles. In the event of default, the note holders may take any one or a combination of the following actions: (1) by written notice, the note holders may declare all payments remaining to be immediately due and payable; (2) with or without terminating the agreement, the note holders may enter the premises where the equipment is located and retake possession of the financed equipment; or (3) Note holders may take whatever action at law or in equity may appear necessary or desirable to enforce its rights as a secured party in any or all of the equipment.

Note 9 - Leases and Subscription-Based Information Technology Arrangements

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

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

The University is working with the North Carolina State Property Office (SPO) on a new lease for one of its rooftop spaces that will be a renewal of a lease that expired on May 19, 2025. The tenant is continuing to pay the rental rate in place at the time of expiration. As of the current date, the University cannot determine the lease receivable or the related deferred inflow of resources until receipt of the completed agreement from the SPO.

During the year ended June 30, 2025, the University recognized operating revenues related to lessor arrangements totaling \$281,628.74, and nonoperating lease interest income totaling \$19,797.27.

Notes to the Financial Statements

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

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2025	Current Portion	Lease Terms ⁽¹⁾	Interest Rate/Ranges
Lessor:					
Buildings	3	\$ 430,310.29	\$ 254,643.55	1 - 3 years	3.00% - 3.89%
General Infrastructure	1	63,923.95	14,530.96	4 years	3.05%
Total	4	\$ 494,234.24	\$ 269,174.51		

(1) The lease terms represent the range of remaining terms in each lease.

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

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

The University had commitments under lessee arrangements before the lease term as follows: 1) a four-year lease agreement for the right to use computer equipment beginning July 15, 2025, with total payments over the period of \$390,758.28, and 2) a four-year lease agreement for the right to use computer equipment beginning July 15, 2025, with total payments over the period of \$219,366.08.

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

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2025	Current Portion	Lease Terms ⁽¹⁾	Interest Rate/Ranges
Lessee:					
Right-to-Use Leased Buildings	4	\$ 1,751,269.34	\$ 295,056.29	1 - 8 years	3.89%
Right-to-Use Leased Machinery and Equipment	14	2,721,172.88	896,391.06	0.5 - 4 years	2.82% - 25%
Total	18	\$ 4,472,442.22	\$ 1,191,447.35		

(1) The lease terms represent the range of remaining terms in each lease.

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

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

The University had commitments under SBITAs before the SBITA term as follows: 1) a five-year SBITA for the right to use athletic compliance software beginning July 1, 2025, with total

payments over the period of \$127,500.00, and 2) a three-year SBITA for the right to use a student engagement platform beginning July 1, 2025, with payments over the period of \$70,005.25.

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

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2025	Current Portion	SBITA Terms and Conditions	Interest Rate Ranges
Right-to-Use Subscription Assets	34	\$2,055,774.44	\$877,398.19	4 mo. - 4 years	2.43%-4.04%

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

Fiscal Year	Annual Requirements			
	Lease Liabilities		SBITA Liabilities	
	Principal	Interest	Principal	Interest
2026	\$ 1,191,447.35	\$ 232,192.76	\$ 877,398.19	\$ 62,364.49
2027	1,060,492.90	148,139.20	686,299.85	33,048.66
2028	817,520.19	85,362.63	419,760.49	13,077.12
2029	596,293.16	51,418.75	72,315.91	2,298.94
2030	195,607.09	31,142.91	-	-
2031-2035	611,081.53	48,168.45	-	-
Total Requirements	\$ 4,472,442.22	\$ 596,424.70	\$ 2,055,774.44	\$ 110,789.21

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	\$ (8,999,983.90)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(66,113,737.00)
Effect on Unrestricted Net Position	(75,113,720.90)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	21,635,050.38
Total Unrestricted Net Position	\$ (53,478,670.52)

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	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 27,679,745.17</u>	<u>\$16,310,908.85</u>	<u>\$ 43,174.00</u>	<u>\$11,325,662.32</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$ 9,714,627.91	\$ 2,232,324.65	\$ 18,595.62	\$ 7,463,707.64
Dining	5,998,752.36	1,407,156.33	11,482.74	4,580,113.29
Parking	892,759.80	-	-	892,759.80
Athletic	679,771.72	-	-	679,771.72
Other	79,293.80	-	-	79,293.80
Sales and Services of Education and Related Activities	<u>1,617,819.00</u>	<u>-</u>	<u>-</u>	<u>1,617,819.00</u>
Total Sales and Services, Net	<u>\$ 18,983,024.59</u>	<u>\$ 3,639,480.98</u>	<u>\$ 30,078.36</u>	<u>\$15,313,465.25</u>
Other Revenues:				
Other Operating Revenues, Net	<u>\$ 1,817,695.27</u>	<u>\$ 152,339.04</u>	<u>\$ -</u>	<u>\$ 1,665,356.23</u>

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	\$ 27,462,731.23	\$ 1,889,899.83	\$ -	\$ -	\$ -	\$ 29,352,631.06
Research	1,677,070.59	801,881.41	-	-	-	2,478,952.00
Public Service	2,099,365.92	417,818.87	-	-	-	2,517,184.79
Academic Support	3,098,507.63	1,470,439.22	-	-	-	4,568,946.85
Student Services	6,282,610.63	1,386,981.35	-	-	-	7,669,591.98
Institutional Support	11,840,867.36	4,248,399.05	-	15,537.79	-	16,104,804.20
Operations and Maintenance of Plant	7,749,943.56	2,321,213.14	-	2,141,027.00	-	12,212,183.70
Student Financial Aid	38,390.00	14,384.40	4,831,578.15	-	-	4,884,352.55
Auxiliary Enterprises	7,759,737.65	9,550,422.22	-	896,711.40	-	18,206,871.27
Depreciation/Amortization	-	-	-	-	10,413,639.05	10,413,639.05
Total Operating Expenses	<u>\$68,009,224.57</u>	<u>\$ 22,101,439.49</u>	<u>\$ 4,831,578.15</u>	<u>\$ 3,053,276.19</u>	<u>\$ 10,413,639.05</u>	<u>\$ 108,409,157.45</u>

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 were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2025 was 16.79% of covered payroll. Plan members' contributions to the pension plan were \$1,320,825.43, and the University's contributions were \$3,696,109.83 for the year ended June 30, 2025.

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

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

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

Net Pension Liability: At June 30, 2025, the University reported a liability of \$18,307,487.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total pension liability to June 30, 2024. The University’s proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the University’s proportion was 0.12356%, which was an increase of 0.01153 from its proportion measured as of June 30, 2023, which was 0.11203%.

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

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

* Salary increases include 3.25% inflation and productivity factor.

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

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

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

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public

equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (the measurement date) are summarized in the following table:

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

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

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

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

<u>Net Pension Liability</u>		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 33,583,055.70	\$ 18,307,487.00	\$ 5,710,542.87

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2025, the University recognized pension expense of \$5,489,458.00. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ 1,649,823.00	\$ 54,119.00
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,018,818.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,144,040.27	147,169.00
Contributions Subsequent to the Measurement Date	<u>3,696,109.83</u>	<u>-</u>
Total	<u>\$ 9,508,791.10</u>	<u>\$ 201,288.00</u>

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

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

<u>Year Ending June 30:</u>	<u>Amount</u>
2026	\$ 1,806,353.00
2027	4,206,256.00
2028	(78,073.00)
2029	<u>(323,142.73)</u>
Total	<u>\$ 5,611,393.27</u>

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

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

Participants contribute 6% of compensation and the University contributes 6.84%. For the year ended June 30, 2025, the University had a total payroll of \$52,043,206.70, of which \$25,025,398.71 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$1,501,523.92 and \$1,711,737.27, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions. At the end of the reporting period, the University had a liability of \$8,124.28. The amount of forfeitures reflected in pension expense recognized during the reporting period was \$204,393.36.

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 2024 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.ncosc.gov> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

B. Plan Descriptions

1. Health Benefits

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

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

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 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.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS prior to

January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The University's contractually-required contribution rate for the year ended June 30, 2025 was 6.99% of covered payroll. The University's contributions to the RHBF were \$3,288,037.00 for the year ended June 30, 2025.

In fiscal year 2023, the Plan transferred \$35 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2025, the University recognized noncapital contributions for RHBF of \$23,142.00.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the State's reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

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

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

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

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

Contributions: Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2025 was 0.13% of covered payroll. The University's contributions to DIPNC were \$61,150.90 for the year ended June 30, 2025.

C. Net OPEB Liability (Asset)

Retiree Health Benefit Fund: At June 30, 2025, the University reported a liability of \$76,065,256.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the University's proportion was 0.22364%, which was an increase of 0.00287 from its proportion measured as of June 30, 2023, which was 0.22077%.

Disability Income Plan of North Carolina: At June 30, 2025, the University reported an asset of \$81,999.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2024. The total OPEB liability used to calculate the

net OPEB asset was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The University's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the University's proportion was 0.24904%, which was an increase of 0.01523 from its proportion measured as of June 30, 2023, which was 0.23381%.

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

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

* Salary increases include 3.25% inflation and productivity factor.

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

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

N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024.

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

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

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

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

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

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

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

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

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

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

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

Net OPEB Liability (Asset)			
	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
RHBF	\$ 90,498,562.72	\$ 76,065,256.00	\$ 64,477,471.72
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$ (73,115.65)	\$ (81,999.00)	\$ (91,335.42)

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

Net OPEB Liability			
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 4% - 5.17%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 5% - 6.17%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 6% - 7.17%, Administrative - 4%)
RHBF	\$ 62,786,820.42	\$ 76,065,256.00	\$ 93,259,389.57

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

Notes to the Financial Statements

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

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ 155,999.00
DIPNC	44,582.00
Total OPEB Expense	<u>\$ 200,581.00</u>

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

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 619,976.00	\$ 33,058.00	\$ 653,034.00
Changes of Assumptions	18,319,619.00	1,223.00	18,320,842.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	325,952.00	64,374.00	390,326.00
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	844,656.00	12,109.77	856,765.77
Contributions Subsequent to the Measurement Date	<u>3,288,037.00</u>	<u>61,150.90</u>	<u>3,349,187.90</u>
Total	<u>\$ 23,398,240.00</u>	<u>\$ 171,915.67</u>	<u>\$ 23,570,155.67</u>

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ -	\$ 94,316.00	\$ 94,316.00
Changes of Assumptions	9,917,356.00	38,203.00	9,955,559.00
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>3,529,365.00</u>	<u>4,144.00</u>	<u>3,533,509.00</u>
Total	<u>\$ 13,446,721.00</u>	<u>\$ 136,663.00</u>	<u>\$ 13,583,384.00</u>

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

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

Year Ending June 30:	RHBF	DIPNC
2026	\$ (2,165,215.00)	\$ (31,249.00)
2027	425,958.00	(20,223.00)
2028	4,608,218.00	14,661.00
2029	3,794,522.00	6,667.00
2030	(1.00)	4,245.77
Total	\$ 6,663,482.00	\$ (25,898.23)

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. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a \$250,000 per occurrence deductible. The University has also purchased through the Fund extended coverage for boiler and machinery components with a \$5,000 deductible, and fine arts coverage for artwork subject to a \$2,500 deductible.

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

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 \$7,528,828.12 and on other purchases were \$4,018,812.56 at June 30, 2025.
- B. Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

Note 17 - Changes in Financial Accounting and Reporting

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

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risk Disclosures

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

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



Required Supplementary Information

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

Exhibit C-1

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net Pension Liability	0.12356%	0.11203%	0.10496%	0.11370%	0.11337%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 18,307,487.00	\$ 18,677,623.00	\$ 15,578,413.00	\$ 5,324,117.00	\$ 13,697,360.00
Covered Payroll	\$ 21,046,937.87	\$ 19,712,072.53	\$ 17,675,050.14	\$ 17,654,758.80	\$ 17,933,050.35
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	86.98%	94.75%	88.14%	30.16%	76.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.35%	82.97%	84.14%	94.86%	85.98%
	2020	2019	2018	2017	2016
Proportionate Share Percentage of Collective Net Pension Liability	0.11572%	0.12251%	0.12597%	0.11896%	0.11814%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 11,996,643.00	\$ 12,197,205.00	\$ 9,995,015.00	\$ 10,933,653.00	\$ 4,353,693.00
Covered Payroll	\$ 17,644,706.10	\$ 18,683,193.70	\$ 17,932,977.86	\$ 17,682,484.99	\$ 17,151,853.98
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	67.99%	65.28%	55.74%	61.83%	25.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%	94.64%

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

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

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

Exhibit C-2

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 3,696,109.83	\$ 3,710,575.14	\$ 3,425,958.21	\$ 2,895,173.21	\$ 2,609,373.35
Contributions in Relation to the Contractually Determined Contribution	3,696,109.83	3,710,575.14	3,425,958.21	2,895,173.21	2,609,373.35
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 22,013,757.17	\$ 21,046,937.87	\$ 19,712,072.53	\$ 17,675,050.14	\$ 17,654,758.80
Contributions as a Percentage of Covered Payroll	16.79%	17.63%	17.38%	16.38%	14.78%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 2,325,916.63	\$ 2,168,534.38	\$ 2,014,048.28	\$ 1,789,711.19	\$ 1,617,947.38
Contributions in Relation to the Contractually Determined Contribution	2,325,916.63	2,168,534.38	2,014,048.28	1,789,711.19	1,617,947.38
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 17,933,050.35	\$ 17,644,706.10	\$ 18,683,193.70	\$ 17,932,977.86	\$ 17,682,484.99
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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

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

Changes of Benefit Terms:

Cost of Living Increase

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

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

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

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

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

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

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

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each year for the plan. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 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 2024 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

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

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

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability	0.22364%	0.22077%	0.22418%	0.23788%	0.24092%
Proportionate Share of Collective Net OPEB Liability	\$ 76,065,256.00	\$ 58,829,035.00	\$ 53,235,051.00	\$ 73,543,501.00	\$ 66,832,603.00
Covered Payroll	\$ 48,022,342.98	\$ 45,584,069.42	\$ 40,836,249.23	\$ 41,281,937.16	\$ 41,629,483.29
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	158.40%	129.06%	130.36%	178.15%	160.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.79%	10.73%	10.58%	7.72%	6.92%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability	0.24845%	0.25174%	0.23776%	0.25507%	
Proportionate Share of Collective Net OPEB Liability	\$ 78,607,577.00	\$ 71,717,146.00	\$ 77,954,552.00	\$ 110,964,120.00	
Covered Payroll	\$ 42,192,827.71	\$ 42,289,926.28	\$ 40,958,387.45	\$ 39,115,679.31	
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	186.31%	169.58%	190.33%	283.68%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%	

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

Exhibit C-3
Page 2 of 2

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.24904%	0.23381%	0.22405%	0.23625%	0.24535%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 81,999.00	\$ 62,184.00	\$ 66,650.00	\$ (38,587.00)	\$ (120,697.00)
Covered Payroll	\$ 48,022,342.98	\$ 45,584,069.42	\$ 40,836,249.23	\$ 41,281,937.16	\$ 41,629,483.29
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.17%	0.14%	0.16%	0.09%	0.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	114.99%	90.61%	90.34%	105.18%	115.57%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.25030%	0.26073%	0.26195%	0.24473%	
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (108,004.00)	\$ (79,199.00)	\$ (160,104.00)	\$ (151,977.00)	
Covered Payroll	\$ 42,192,827.71	\$ 42,289,926.28	\$ 40,958,387.45	\$ 39,115,679.31	
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.26%	0.19%	0.39%	0.39%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113.00%	108.47%	116.23%	116.06%	

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

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

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

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

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 3,288,037.00	\$ 3,428,795.29	\$ 3,140,742.38	\$ 2,568,600.08	\$ 2,757,633.40
Contributions in Relation to the Contractually Determined Contribution	3,288,037.00	3,428,795.29	3,140,742.38	2,568,600.08	2,757,633.40
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 47,039,155.88	\$ 48,022,342.98	\$ 45,584,069.42	\$ 40,836,249.23	\$ 41,281,937.16
Contributions as a Percentage of Covered Payroll	6.99%	7.14%	6.89%	6.29%	6.68%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 2,693,427.57	\$ 2,645,490.30	\$ 2,558,540.54	\$ 2,379,682.31	\$ 2,190,478.04
Contributions in Relation to the Contractually Determined Contribution	2,693,427.57	2,645,490.30	2,558,540.54	2,379,682.31	2,190,478.04
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 41,629,483.29	\$ 42,192,827.71	\$ 42,289,926.28	\$ 40,958,387.45	\$ 39,115,679.31
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

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

**Exhibit C-4
Page 2 of 2**

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 61,150.90	\$ 52,824.58	\$ 45,584.07	\$ 36,752.62	\$ 37,153.74
Contributions in Relation to the Contractually Determined Contribution	61,150.90	52,824.58	45,584.07	36,752.62	37,153.74
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 47,039,155.88	\$ 48,022,342.98	\$ 45,584,069.42	\$ 40,836,249.23	\$ 41,281,937.16
Contributions as a Percentage of Covered Payroll	0.13%	0.11%	0.10%	0.09%	0.09%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 41,629.48	\$ 59,069.96	\$ 59,205.90	\$ 155,641.87	\$ 160,374.29
Contributions in Relation to the Contractually Determined Contribution	41,629.48	59,069.96	59,205.90	155,641.87	160,374.29
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 41,629,483.29	\$ 42,192,827.71	\$ 42,289,926.28	\$ 40,958,387.45	\$ 39,115,679.31
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%

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

The University of North Carolina at Asheville

Notes to Required Supplementary Information

Schedule of University Contributions

Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

For the Fiscal Year Ended June 30, 2025

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

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

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

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

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

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

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 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, 2024 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.93%, from 3.65% as of June 30, 2023. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

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

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

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

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

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

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



Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

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

Board of Trustees
The University of North Carolina at Asheville
Asheville, 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 University of North Carolina at Asheville (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 22, 2025. Our report includes a reference to other auditors who audited the consolidated financial statements of The University of North Carolina at Asheville Foundation, Inc. (Foundation), as described in our report on the University's financial statements. The consolidated financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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

October 22, 2025

Ordering Information

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APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

The following is a brief summary of certain provisions of the General Indenture and the Ninth Series Indenture under which the 2026 Bonds are being issued. This summary is not intended to be definitive and is qualified in its entirety by reference to the General Indenture and the Ninth Series Indenture for the complete terms thereof. Copies of those documents are available on request from the office of the Vice Chancellor for Budget and Finance of the University of North Carolina at Asheville.

DEFINITIONS

“*Account*” or “*Fund*” means one of the special funds or accounts created and established under the General Indenture.

“*Accountant*” means the State Auditor or a firm of independent certified public accountants as may be selected by the University and not unacceptable to the Trustee.

“*Act*” means North Carolina General Statutes Sections 116D-21 *et seq.*, as supplemented and amended.

“*Authenticating Agent*” means the Trustee.

“*Authorized Denomination*” means \$5,000 or any integral multiple thereof.

“*Available Funds*” means any legally available funds of the University, or of the Board held for the University, in each Fiscal Year remaining after satisfying obligations of the University or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt of the Board with respect to the University existing as of the date of the General Indenture, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by University students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, (4) revenues generated by Special Facilities and (5) funds restricted by law.

“*Board*” means the Board of Governors of the University of North Carolina.

“*Bond*” means one of the obligations delivered under the General Indenture, including all Series of Bonds issued under a Series Indenture.

“*Bond Counsel*” means an attorney or firm of attorneys of favorable reputation in the field of municipal bond law, and not unacceptable to the Trustee.

“*Business Day*” means any day other than (a) a day on which banking institutions in New York, New York, or in the State or in the cities in which the Trustee or the Paying Agent have their respective designated offices are authorized to close or (b) a day on which the New York Stock Exchange is closed.

“*Certificate*” means (1) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined under the General Indenture or (2) the report of an accountant as to audit or other procedures called for by the General Indenture.

“Code” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code will be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto.

“*Construction Fund*” means the Fund so designated and established under the General Indenture.

“*Costs of Construction*” means the costs reasonably incurred in connection with any project financed with the proceeds of Bonds, including but not limited to, the costs of (1) acquisition of all property, real or personal, tangible or intangible, and all interests in connection therewith including all rights-of-way and easements therefor, (2) physical construction, installation and testing, including the costs of labor, services, materials, supplies and utility services used in connection therewith, (3) architectural, engineering, legal, financial advisory and other professional services, (4) premiums for insurance policies taken out and maintained during construction, to the extent not paid for by a contractor for construction and installation, (5) any taxes, assessments or other charges which become due during construction, (6) expenses incurred by the Board or on its behalf with its approval in seeking to enforce any remedy against any contractor or sub-contractor in respect of any default under a contract relating to construction, (7) principal of and premium, if any, and interest on any indebtedness of the Board, other than the Bonds, incurred for Costs of Construction, (8) Costs of Issuance, (9) any capitalized interest, (10) miscellaneous expenses incidental thereto and (11) reimbursements of such Cost of Construction properly incurred prior to the issuance of a Series of the Bonds.

“*Costs of Issuance*” means all items of expense, directly or indirectly payable by or reimbursable to the Board, related to the authorization, sale and issuance of Bonds.

“*Debt Service Fund*” means the Fund so designated and established by the General Indenture.

“*Depository*” means the State Treasurer or any bank or trust company which is a member of the Federal Deposit Insurance Corporation and is selected by the Board as a depository of moneys under the provisions of the General Indenture.

“*Escrow Agent*” means U.S. Bank Trust Company, National Association, or any successor appointed pursuant to the terms of the Escrow Agreement.

“*Escrow Agreement*” means the Escrow Agreement dated as of April 15, 2026 between the Board and the Escrow Agent, as amended or supplemented from time to time.

“*Event of Default*” means any of the events specified in the General Indenture as an “*Event of Default*,” together with any other events specified as such in a Series Indenture.

“*Federal Securities*” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged; (b) obligations issued by any agency controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully guaranteed as full faith and credit obligations of the United States of America (including any securities described in (a) or (b) issued or held in the name of the Trustee in book entry form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are held in the name of the Trustee and are not subject to redemption or purchase prior to maturity at the option of anyone other than the Owner; (c) any bonds or other obligations of the State or of any agency, instrumentality or local governmental unit of the State which are (i) not callable prior to maturity or (ii) as to which irrevocable instructions have been given to the trustee or escrow agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are rated by

Moody's and S&P within the highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or (b) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate; (d) the interest only portions of obligations issued by the Resolution Funding Corporation; or (e) direct evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (a) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (a), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

“*Fiscal Year*” means a twelve-month period commencing on the first day of July of any year and ending on the last day of June of the following year, or such other twelve-month period adopted as the Fiscal Year of the Board.

“*Fitch Ratings*” means Fitch, Inc., its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*Fitch Ratings*” will be deemed to refer to any other nationally recognized securities rating agency other than Moody's or S&P designated by the Vice Chancellor by notice to the Trustee.

“*General Indenture*” means the General Trust Indenture dated as of September 1, 2002 between the Board and Wachovia Bank, National Association, the successor to which is the Trustee, as amended or supplemented from time to time.

“*Indenture*” or “*Ninth Series Indenture*” means Series Indenture, Number 9 dated as of April 1, 2026 between the Board and the Trustee.

“*Interest Payment Date*” means each June 1 and December 1, beginning June 1, 2026.

“*Investment Securities*” means, to the extent from time to time permitted by law:

(1) Federal Securities;

(2) direct obligations of, or obligations the principal of and interest on which shall be unconditionally guaranteed by any of the following agencies of the United States government: Federal Farm Credit System, Federal Home Loan Banks, Export-Import Bank of the United States of America, Government National Mortgage Association, Federal National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation, Federal Housing Administration, or Financing Corporation and all other obligations issued or unconditionally guaranteed by any agency controlled or supervised by and acting as an instrumentality of the United States government under authority granted by the Congress;

(3) bankers acceptances drawn on and accepted by banks (which may include the Paying Agent and the Trustee), or certificates of deposit or commercial paper of banks (which may include the Paying Agent and the Trustee), with a combined capital and surplus aggregating at least \$100,000,000 and the unsecured securities of which are currently rated within one of the two highest rating categories (without regard to any gradations by numerical qualifier or otherwise) assigned by S&P or Moody's;

(4) interest-bearing demand or time deposits or certificates of deposit, fully insured by the Federal Deposit Insurance Corporation, of a bank (which may include the Paying Agent and the Trustee) or trust company or, to the extent not so insured, of a bank or trust company (which may include the Paying Agent and the Trustee), the unsecured securities of which are currently rated within one of the two highest rating categories (without regard to any gradations by numerical qualifier or otherwise) assigned by S&P or Moody's;

(5) interest-bearing notes, issued by a bank (which may include the Paying Agent and the Trustee) or bank holding company and rated within one of the two highest rating categories assigned by S&P or Moody's (without regard to any gradations by numerical qualifier or otherwise) and which bank or bank holding company has a combined capital and surplus aggregating at least \$100,000,000;

(6) repurchase agreements, reverse repurchase agreements, or investment agreements with a financial institution (which may include the Paying Agent and the Trustee) (a) with a combined capital and surplus aggregating at least \$100,000,000 and the unsecured long term-debt obligations of which are currently rated within one of the two highest rating categories (without regard to any gradations by numerical qualifier or otherwise) assigned by S&P or Moody's, or (b)(i) continuously secured and collateralized by segregated obligations referred to in (1) through (5) above having a market value at least equal at all times to the principal balance collectible pursuant thereto and the accrued interest thereon and (ii) as to which the University receives evidence that a custodian has possession of the collateral, evidence that the collateral is free and clear of any third-party liens or claims and an opinion that the custodian has a perfected security interest in the collateral, any substitutes therefor and all proceeds thereof;

(7) debt securities of any entity whose long-term debt obligations are rated within one of the two highest rating categories assigned by S&P or Moody's, (without regard to any gradations by numerical qualifier or otherwise);

(8) bonds or other obligations, rated within one of the two highest rating categories assigned by S&P or Moody's (without regard to any gradations by numerical qualifier or otherwise), of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state or any unit investment trust investing solely in such bonds or obligations;

(9) commercial paper rated "A-1+" by S&P and "P-1" by Moody's and maturing in not more than 365 days;

(10) money market funds rated in the highest rating category by S&P or Moody's;

(11) the State Treasurer's Short-Term Investment Fund; and

(12) the University Temporary Pool.

"*Mail*" means by first-class, United States mail, postage prepaid.

"*Moody's*" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, "*Moody's*" will be deemed to refer to any other nationally recognized rating agency other than S&P or Fitch Ratings designated by the Vice Chancellor by notice to the Trustee.

“*Other Indebtedness*” means capital leases, installment financing agreements or other contracts used to provide capital improvements to the University not evidenced by a series of the Bonds.

“*Outstanding*” means all Bonds which have been authenticated and delivered by the Trustee under the General Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment (it being understood that a payment to an Owner of the purchase price of a Bond, as prescribed in the related Series Indenture, is not payment of a Bond) at or redemption prior to maturity or on acceleration;

(b) Bonds deemed paid under the General Indenture;

(c) Bonds for the payment of the principal of and interest on which Federal Securities have been set aside; and

(d) Bonds in lieu of which other Bonds have been authenticated under the General Indenture.

“*Owner*” or “*Bondowner*” means any person in whose name any Outstanding Bond is registered on the books of the Registrar.

“*Paying Agent*” means U.S. Bank Trust Company, National Association, or any successor paying agent appointed pursuant to the terms of the General Indenture.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“*Principal and Interest Requirements*” means, with respect to any particular Fiscal Year, an amount equal to the sum of (1) all interest payable on the Bonds during such Fiscal Year excluding any capitalized interest, plus (2) any Principal Installments of the Bonds during such Fiscal Year.

(a) For purposes of computing “*Principal and Interest Requirements*,” the rate of interest used to determine (1) above will be a rate per annum equal to (A) with respect to Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (B) with respect to Bonds which bear interest at a variable or periodically determined rate of interest, the average of all the interest rates in effect on the Bonds (or as certified by a financial institution or investment banking firm acceptable to the Vice Chancellor which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding twelve-month period. If the Board or the University has entered into an agreement under which it will receive payments calculated on a notional amount equal to the principal amount of a Series of the Bonds and will make payments calculated on the same notional amount, the interest used to calculate (A) above will be the amount to be paid by the Board or the University, and the amount to be received will be deducted; payments on a variable or periodic basis under such an agreement will be calculated in accordance with clause (B) above.

(b) For purposes of computing “*Principal and Interest Requirements*,” the method used to determine (2) above will be the actual planned Principal Installments, unless any such Principal Installment is payable in a single installment in which case the Principal Installments of

such series of Bonds will, in each year, be: (A) for Bonds with a term in excess of one year, the result derived by dividing (i) the outstanding principal amount of such Bonds by (ii) the number of full years in the remaining term of such Bonds, and (B) for notes or other obligations with a term of less than one year which are issued in anticipation of the issuance of Bonds described in (A) above (the “*Take Out Obligations*”), the result derived by dividing (i) the outstanding principal amount of such notes or other obligations by (ii) the number of full years expected to be in the term of the Take Out Obligation as certified to the Trustee by the Vice Chancellor.

“*Principal and Interest Requirements for Other Indebtedness*” means, with respect to any particular Fiscal Year, an amount equal to the sum of all payment obligations with respect to Other Indebtedness during such Fiscal Year. If the payment obligation under any Other Indebtedness is stated in terms of principal and interest, such principal and interest will be computed for purposes of this definition in the manner in which the principal of and interest on the Bonds is calculated under the definition of “*Principal and Interest Requirements on the Bonds*.”

“*Principal and Interest Requirements for Subordinate Indebtedness*” means, with respect to any particular Fiscal Year, an amount equal to the sum of (1) all interest payable on Subordinate Indebtedness due during such Fiscal Year, excluding any capitalized interest, plus (2) any principal of the Subordinate Indebtedness during such Fiscal Year. Principal and interest for purposes of this definition will be computed in the manner in which the principal of and interest on the Bonds is calculated under the definition of “*Principal and Interest Requirements on the Bonds*.”

“*Principal Installment*” means, as of any date of calculation, (1) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the General Indenture of Sinking Fund Payments payable before such future date, plus (2) any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such Sinking Fund Payments.

“*Principal Payment Date*” means any date upon which a Principal Installment is due and payable.

“*Rebate Deposit*” means the amount required to be deposited into the Rebate Fund as a result of the computation made under the Ninth Series Indenture.

“*Rebate Fund*” means the Fund so designated under the Ninth Series Indenture.

“*Record Date*” means each May 15 or November 15 preceding the respective Interest Payment Date.

“*Redemption Price*” means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, and accrued interest payable on the redemption thereof.

“*Refunded Bonds*” means The University of North Carolina at Asheville General Revenue Bonds, Series 2017 maturing on June 1, 2027 through June 1, 2042.

“*Registrar*” means U.S. Trust Company, Bank National Association, or any successor registrar appointed pursuant to the terms of the General Indenture.

“*S&P*” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities

rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency other than Moody’s or Fitch Ratings designated by the Vice Chancellor by notice to the Trustee.

“*Securities Depository*” means The Depository Trust Company, New York, New York, or its successor or assigns or substitute depository.

“*Securities Depository Nominee*” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the register maintained by the Registrar the 2026 Bond certificates to be delivered to and immobilized at such Securities Depository (or as otherwise provided in the Ninth Series Indenture) during continuation with such Securities Depository of participation in its book-entry system.

“*Series of Bonds*” or “*Series*” means any series of Bonds issued under a Series Indenture.

“*Series Indenture*” means any indenture or other document supplementing the General Indenture, executed by the Board and effective in accordance with the General Indenture, providing for the issuance of a Series of Bonds.

“*Sinking Fund Payment*” means, as of any particular date of calculation, the amount required to be paid by the Board on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the Board by reason of the maturity of a Bond or by call for redemption at the election of the Board.

“*Special Facilities*” mean facilities financed with obligations issued under authorizing legislation other than the Act, such as University facilities financed for or leased by nongovernmental persons or by the United States Government or its agencies or facilities financed for entities subordinate or related to the University.

“*State*” means the State of North Carolina.

“*State Treasurer*” means the Treasurer of the State of North Carolina.

“*Subordinate Indebtedness*” means debt incurred by or on behalf of the University, the payment of the principal and interest on which is payable from Available Funds after payment of the principal of and interest on the Bonds.

“*Supplemental Indenture*” means any indenture supplemental to the General Indenture delivered under the General Indenture amending or supplementing the General Indenture.

“*Tax Certificate*” means the Tax Certificate dated the date the 2026 Bonds are issued among the Board, the University and the Trustee related to the 2026 Bonds.

“*Trustee*” means the U.S. Bank Trust Company, National Association, as successor trustee, with respect to the Bonds and any other person at any time substituted in its place as provided in the General Indenture.

“*Trust Estate*” means all property and rights conveyed by the Board under the Granting Clauses of the General Indenture.

“*University*” means the University of North Carolina at Asheville.

“*Vice Chancellor*” means (1) the University Vice Chancellor for Administration and Financial Affairs (currently known as Vice Chancellor for Budget and Finance) or any successor officer performing the functions currently performed by such Vice Chancellor or (2) his or her designee.

“*2026 Bonds*” means The University of North Carolina at Asheville General Revenue Refunding Bonds, Series 2026 issued under the General Indenture and the Ninth Series Indenture.

GENERAL INDENTURE AND NINTH SERIES INDENTURE

Available Funds. The 2026 Bonds are payable from Available Funds. Available Funds are not pledged to the Trustee, but rather are the source from which principal and interest on the 2026 Bonds, and any prior Bonds and additional Bonds issued under the General Indenture, will be paid.

Pledge Effected by Indenture. The Trust Estate is pledged under the General Indenture, and the Board grants a security interest therein, to the Trustee for the benefit of Owners, to secure the payment of Bonds in accordance with their terms and the provisions of the General Indenture. The Trust Estate will immediately be subject to the lien of such pledge without any physical delivery thereof or further act and such lien will be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice thereof.

Lien or Charges on Available Funds. The Board will not create or permit to be created any lien or charge on the Available Funds. The Board need not pay or cause to be discharged or make provision for any lien or charge as long as the validity thereof is being contested in good faith by appropriate legal proceedings. Neither the Board nor the University will permit a lien to be placed on the University property, except in connection with the issuance of Other Indebtedness.

Funds and Accounts. The Board establishes and creates the Debt Service Fund and the Construction Fund under the General Indenture, which for administrative convenience may be subdivided by the Vice Chancellor or the Trustee into Accounts with appropriate identification. The Trustee or the Board may also create such other Funds or Accounts as each, in its sole discretion, deem necessary or desirable in the administration of the General Indenture. The Trustee will hold the Debt Service Fund. The University will hold the Construction Fund.

Debt Service Fund. The Board will cause payments to be made to the Trustee from the Available Funds (1) on the Business Day preceding each Interest Payment Date or otherwise as needed, for deposit in the Debt Service Fund, an amount sufficient when added to moneys then on deposit in the Debt Service Fund allocated to pay interest due with respect to the Bonds to equal the interest then or to become payable on the next Interest Payment Date; and (2) on the Business Day preceding each Principal Payment Date or otherwise as needed, for deposit in the Debt Service Fund, an amount sufficient when added to moneys then on deposit in the Debt Service Fund allocated to pay principal due with respect to the Bonds to equal the principal then or to become payable on the next Principal Payment Date.

The Trustee will disburse amounts deposited in the Debt Service Fund as follows: (1) on each Interest Payment Date, to the Persons entitled thereto, interest due on such date, (2) subject to the provisions of the General Indenture requiring the application thereof to the payment or redemption of any particular Bond, on each Principal Payment Date, to the Owners, the amounts required for the payment of the Principal Installments due on such date, (3) on each Redemption Date, to the Owners, the amount required for redemption of Bonds called for redemption.

Construction Fund. The Construction Fund will be applied for any of the following purposes: (1) the payment of Costs of Issuance; (2) the payment of all other Costs of Construction; and (3) transfer

to the Debt Service Fund to make up any deficiency therein in accordance with the priorities established in General Indenture. The Vice Chancellor will authorize disbursements from the Construction Fund and, maintain a record stating by general classification the purpose for which each disbursement is to be made. On the completion of all additions to or betterments, extensions or improvements to, or purchasing and installing new equipment for, capital facilities financed with Bond proceeds, the Vice Chancellor will deliver to the Trustee the balance remaining in the Construction Fund for deposit in the Debt Service Fund and application to the next payment due with respect to the Bonds.

No Additional Bonds Under Existing Bond Documentation; Additional Debt. The Board covenants that neither it nor the University will issue: (1) any other obligations under any existing bond resolution, trust indenture or other financing document which authorizes the issuance of debt obligations secured by revenues or net revenues from any University enterprise; (2) any other Bonds, except on the conditions and in the manner provided in the General Indenture; (3) any other obligations payable from Available Funds, unless (A) such obligations constitute Subordinate Indebtedness or Other Indebtedness; or (B) (i) such obligations are payable on a parity basis with the Bonds and (ii) the largest of the sums obtained for any Fiscal Year after totaling for each Fiscal Year the Principal and Interest Requirements on Other Indebtedness, the Principal and Interest Requirements on Subordinate Indebtedness and the Principal and Interest Requirements on parity obligations other than the Bonds (including the additional obligations to be issued), calculated in the manner that the Principal and Interest Requirements on the Bonds are calculated, does not exceed 10% of Available Funds in the most recent Fiscal Year for which audited financial statements of the University are available; or (4) any obligations other than those described in clauses (1), (2) or (3), unless they are payable from a source other than Available Funds.

Investments. The Vice Chancellor will direct the Trustee in writing to invest all moneys held under the General Indenture in Investment Securities. The Trustee will deposit earnings from investment of moneys in the Debt Service Fund immediately on receipt thereof into the Debt Service Fund. The Board will cause earnings from the investment of moneys in the Construction Fund to be retained in the Construction Fund and applied to the Costs of Construction.

Accounts and Reports. The Board will file, or cause to be filed, with the Trustee, within 210 days after the close of each Fiscal Year, a copy of an audited annual financial report of the University conforming to then-existing generally accepted accounting principles. The Trustee will make a copy of the financial statements available to any Owner of a Bond on written request therefor at the Board's expense. The Board will furnish any interested party any reasonably available information otherwise compiled by the University concerning the Bonds or the University's conditions or operations on written request to the Vice Chancellor and payment of duplication costs. The Board will comply with the information reporting requirements of the Securities and Exchange Commission or the Municipal Securities Rulemaking Board with respect to governmental obligations such as the Bonds from time to time in effect.

Insurance; Condemnation. The Board will carry or cause to be carried insurance at the University with a reputable insurance carrier or carriers, such as is maintained or carried by comparable institutions of higher education including, to the extent that the University is not or ceases to be fully protected by the State against losses covered by such insurance, public liability insurance against loss or damage by fire, explosion, hurricane, flood, cyclone, occupancy or other hazards and risks, and said property loss and damage insurance will at all times be in an amount sufficient to indemnify in amounts sufficient to repair the affected capital asset for loss, to the extent that such insurance is obtainable.

Capital Facilities. The Board will complete any facilities financed with the proceeds of the Bonds or cause them to be completed in accordance with plans and specifications approved by a registered professional engineer and in an economical and efficient manner with all practicable dispatch

and will maintain or cause to be maintained its capital facilities in good condition and will continuously operate or cause to be operated the same in an efficient manner and at a reasonable cost.

The Board will not sell or otherwise dispose of any capital facilities financed with proceeds of a series of the Bonds unless there is filed with the Board, before any such sale, disposition or removal, an opinion of Bond Counsel that such sale, disposition or removal is permitted by the General Indenture and that the interest on the Bonds will not be includable in the gross income of the Owners thereof for federal income tax purposes as a result of such sale, disposition or removal. The Board may also sell or otherwise dispose of any furniture, fixtures, apparatus, tools, instruments or other movable property acquired for or in connection with the capital facilities financed with the proceeds of a series of the Bonds or any materials in connection therewith, if the Board determines that such articles are no longer needed or no longer useful in connection with the construction of or any improvements or the operation and maintenance of the University capital facilities. The proceeds of any sale or other disposition made under the authority of the General Indenture shall, in accordance with the written directions of the Vice Chancellor, either be deposited to the credit of the Debt Service Fund or applied to the replacement of any facilities or property so sold or disposed of.

Supplemental Indentures.

-- *Without the Consent of Owners.* For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture of the Board may be executed and delivered, which, on the execution by the Trustee, will be fully effective in accordance with its terms: (a) to close the General Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the General Indenture on, the delivery of Bonds or the issuance of other evidences of indebtedness; (b) to add to the covenants and agreements of and the limitations and restrictions on the Board in the General Indenture other covenants and agreements or limitations and restrictions to be observed by the Board which are not contrary to or inconsistent with the General Indenture as theretofore in effect; (c) to surrender any right, power or privilege reserved to or conferred on the Board by the terms of the General Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Board contained in the General Indenture; (d) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the General Indenture of the Trust Estate, including any revenues or assets; and (e) to modify any of the provisions of the General Indenture in any respect whatsoever; provided that any changes do not, in the opinion of Bond Counsel, adversely affect the interests of the Owners of the Bonds.

-- *With the Consent of Owners.* Exclusive of Supplemental Indentures covered under “-- *Without the Consent of Owners*” above, the written consent of the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, will be required for the execution by the Board and the Trustee of any indenture or indentures supplemental to the General Indenture; provided, however, that without the consent of the Owners of all the Bonds Outstanding nothing in the General Indenture will permit, or be construed as permitting: (a) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Bond, or a reduction in the principal amount of or premium payable on any redemption of any Outstanding Bond or the rate of interest thereon; (b) the deprivation of the Owner of any Bond Outstanding of the lien created by the General Indenture (other than as originally permitted thereby); (c) a privilege or priority of any Bond over any other Bond; or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture.

Amendments. As long as the 2026 Bonds are Outstanding, the General Indenture and the Ninth Series Indenture and the rights and obligations of the Board and the Owners of the 2026 Bonds may be modified or amended at the same times, in the same manner and for the same purposes as set forth in the

General Indenture. If such modification or amendment to the General Indenture or the Ninth Series Indenture affects only the 2026 Bonds, the percentage of Owners required to consent to the modification or amendment described in the General Indenture will be applied only to the Outstanding 2026 Bonds.

Notwithstanding anything in the General Indenture or the Ninth Series Indenture to the contrary, (1) any initial purchaser, underwriter or remarketing agent holding any 2026 Bonds or another Series of Bonds issued after the issuance of the 2026 Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Owner of such Bonds to any amendment or supplemental indenture as required or permitted by the General Indenture or the Ninth Series Indenture, including any amendment or supplemental indenture that adversely affects the interests of other Owners, and (2) any such holder providing its consent is not entitled to receive, nor is the Board or the University required to provide, any prior notice or other documentation regarding such amendment or supplemental indenture.

Events of Default; Remedies. The following are “*Events of Default*” under the General Indenture: (a) a failure to pay the principal of or premium, if any, on any Bond when the same becomes due and payable, whether at the stated maturity thereof or on proceedings for redemption including sinking fund redemptions; (b) a failure to pay any installment of interest when the same becomes due and payable; and (c) a failure by the Board to observe and perform any covenant, condition, agreement or provision (other than as described in subsections (a) and (b) above) contained in the Bonds or in the General Indenture on the part of the Board to be observed or performed, which failure continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Board by the Trustee, which may give such notice in its discretion and must give such notice at the written request of Owners of not less than 25% of principal amount of the Bonds, unless the Trustee, or the Trustee and Owners of a principal amount of Bonds not less than the principal amount of Bonds the Owners of which requested such notice, as the case may be, agrees in writing to an extension of such period prior to its expiration. Further events which will constitute “*Events of Default*” under the General Indenture may be set forth in a Series Indenture.

On the occurrence and continuance of an Event of Default, the Trustee may, or if required by a majority of the Owners of the Bonds, must, declare the Bonds to be immediately due and payable, whereupon they will, without further action, become due and payable, anything in the General Indenture or in the Bonds to the contrary notwithstanding.

The provisions of the preceding paragraph are subject to the condition that if, after the principal of any of the Bonds has been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered as hereinafter provided, the Board causes to be deposited with the Trustee a sum sufficient to pay all matured installments of the principal of and interest on all Bonds which will have become due otherwise than by reason of such declaration (with interest on such overdue installments of interest, at the rate per annum borne by the respective Bonds) and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default other than nonpayment of the principal of the Bonds which have become due by said declaration have been remedied, then, in every such case, such Event of Default will be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee will promptly give written notice of such waiver, rescission or annulment to the Board and will give notice thereof by Mail to all Owners; but no such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

On the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and on the written direction of Owners of not less than a majority in principal amount of the Bonds and receipt of indemnity to its satisfaction, must, in its own name and as the trustee of an express trust: (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and

require the Board to carry out any agreements with or for the benefit of the Owners and to perform its duties under the General Indenture; and (ii) take whatever action at law or in equity may appear necessary or desirable to enforce its rights against the Board.

No right or remedy is intended to be exclusive of any other rights or remedies, but each and every such right or remedy will be cumulative and in addition to any other remedy given under the General Indenture or now or hereafter existing at law or in equity or by statute. If any Event of Default has occurred and if requested by the Owners of a majority in aggregate principal amount of Bonds and indemnified as provided in the General Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the General Indenture as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners.

Anything in the General Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds will have the right, at any time, to the extent permitted by law, by instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the General Indenture, or for the appointment of a receiver, and any other proceedings thereunder; provided that such direction may not be otherwise than in accordance with the provisions of the General Indenture. The Trustee will not be required to act on any direction given to it until the indemnity is furnished to it by such Owners.

No Owner will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Indenture, for the protection or enforcement of any right under the General Indenture unless such Owner has given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than 25% in principal amount of the Bonds have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the General Indenture granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there has been offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of the powers under the General Indenture or for any other remedy under the General Indenture or by law.

Each Owner by its acceptance of a Bond will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Indenture or any Series Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant. The provisions of this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by Owners of at least 25% in principal amount of the Bonds, or to any suit instituted by any Owner for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

The Trustee will give to the Owners notice of each Event of Default known to the Trustee within 90 days after actual knowledge of the occurrence thereof, unless such Event of Default has been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Debt Service Fund, notice will be given immediately after its occurrence.

Each such notice of an Event of Default will be given by the Trustee by mailing written notice thereof (i) to all Owners appearing on the registration books maintained by the Registrar and (ii) to such other persons as is required by law.

Defeasance. If the Board pays or causes to be paid or is deemed to have paid to the Owner of any Bond the principal of and interest due and payable, and thereafter to become due and payable on such Bond, or any portion of such Bond in any integral multiple of the Authorized Denomination thereof, such Bond or portion thereof will cease to be entitled to any lien, benefit or security under the General Indenture. If the Board pays or causes to be paid the principal of, premium, if any, and interest due and payable on all Outstanding Bonds, pays or causes to be paid all other sums payable by the Board, including all fees, expenses and other amounts payable to the Trustee and any Paying Agent, then the right, title and interest of the Trustee in and to the Trust Estate will thereupon cease, terminate and become void.

Any Bond will be deemed to be paid when (a) payment of the principal of such Bond plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment, (1) moneys, sufficient to make such payment or (2) non-callable Federal Securities maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agent pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond is deemed to be paid, as aforesaid, such Bond will no longer be secured by or entitled to the benefits of the General Indenture, except for the purposes of any such payment from such moneys or Federal Securities.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL



April __, 2026

The Board of Governors of
the University of North Carolina
Raleigh, North Carolina

U.S. Bank Trust Company, National Association
Charlotte, North Carolina

§ _____
***The University of North Carolina at Asheville
General Revenue Refunding Bonds, Series 2026***

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Board of Governors of the University of North Carolina, a body politic and corporate under the name of “*The University of North Carolina*” (the “*Board*”), of The University of North Carolina at Asheville General Revenue Refunding Bonds, Series 2026 (the “*2026 Bonds*”) in the aggregate principal amount of \$ _____. We have examined certified copies of the proceedings of the Board in authorizing the issuance of the 2026 Bonds, including the General Trust Indenture dated as of September 1, 2002 (the “*General Indenture*”) between the Board and Wachovia Bank, National Association, the successor to which is U.S. Bank Trust Company, National Association, as trustee (the “*Trustee*”), and Series Indenture, Number 9 dated as of April 1, 2026 (the “*Ninth Series Indenture*” and collectively with the General Indenture, the “*Indentures*”), each between the Board and the Trustee and other proofs submitted relative to the issuance of the 2026 Bonds.

The 2026 Bonds are being issued to provide funds to (1) refund all or a portion of The University of North Carolina at Asheville General Revenue Bonds, Series 2017 and (2) pay the costs of issuing the 2026 Bonds. We have examined such laws, documents, instruments, proceedings and opinions as we have deemed relevant in rendering the opinions hereinafter expressed. Capitalized terms used as defined terms herein and not otherwise defined herein have the meaning assigned to such terms in the Indentures.

On the basis of the foregoing, we are of the opinion, under existing law, that:

1. The Indentures have been duly authorized, executed and delivered by the Board and, assuming due authorization and execution by the Trustee, are in full force and effect. The General Indenture creates a valid lien on the Trust Estate for the purposes and on the conditions permitted by the General Indenture.
2. The 2026 Bonds have been duly authorized and issued under the General Indenture and under the provisions of the Constitution and laws of the State of North Carolina (the “*State*”), including Sections 116D-21 *et seq.* of the General Statutes of North Carolina, as amended, for the purposes set forth above.

3. The 2026 Bonds are issuable only as fully registered bonds and will be numbered, will bear interest at the times and will be subject to redemption, all as provided in the Indentures. The 2026 Bonds will be parity obligations under the General Indenture with Bonds Outstanding and any additional obligations of the Board issued on a parity basis with the Bonds in accordance with the General Indenture.

4. The 2026 Bonds are valid and binding special obligations of the Board payable solely from Available Funds as described in the General Indenture. The 2026 Bonds do not constitute a debt or liability of the State or any political subdivision of the State or a pledge of the faith and credit of the State or of any political subdivision of the State. The issuance of the 2026 Bonds does not directly or indirectly or contingently obligate the State or any political subdivision of the State to levy or to pledge any taxes for the 2026 Bonds.

5. Interest on the 2026 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax, however, such interest on the 2026 Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Board and the University of North Carolina at Asheville (the “University”) comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026 Bonds in order that the interest on the 2026 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The Board and the University have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the 2026 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2026 Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest on, the 2026 Bonds.

6. Interest on the 2026 Bonds is exempt from State of North Carolina income taxation.

The rights of the owners of the 2026 Bonds and the enforceability of the 2026 Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally or by equitable principles, whether considered at law or in equity.

Our services as bond counsel in connection with the issuance of the 2026 Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2026 Bonds and the tax status of the interest on the 2026 Bonds. In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents, opinions and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing on such public records and certifications, documents, opinions and other proceedings.

We express no opinion herein as to the adequacy, accuracy or completeness of the Preliminary Official Statement or the Official Statement, or any other offering material relating to the 2026 Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating to the financial resources of the Board and the University, or the ability of the Board and the University to make

The Board of Governors of
the University of North Carolina
U.S. Bank Trust Company, National Association
April __, 2026
Page 3

the payments required under the Indenture, that may have been relied upon by anyone in making the decision to purchase 2026 Bonds.

The opinions expressed above are given as of the date hereof, and we assume no obligation to revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

PARKER POE ADAMS & BERNSTEIN LLP

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APPENDIX E
BOOK ENTRY-ONLY SYSTEM

APPENDIX E

BOOK ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), Brooklyn, New York, will act as securities depository for the 2026 Bonds. The 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2026 Bond will be issued for each maturity of the 2026 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2026 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2026 Bonds, except in the event that use of the book-entry system for the 2026 Bonds is discontinued.

To facilitate subsequent transfers, all 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2026 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2026 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2026 Bonds documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2026 Bonds within an maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Board or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Board or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2026 Bonds at any time by giving reasonable notice to the Board and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2026 Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2026 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

NEITHER THE BOARD NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR

INTEREST ON THE 2026 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE 2026 BONDS UNDER THE TERMS OF THE INDENTURES; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2026 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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UNIVERSITY *of* NORTH CAROLINA
ASHEVILLE