NEW ISSUE
BOOK-ENTRY ONLY

Rating: Moody's: Aa3
See "RATING" 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 (the "Code"), as amended, 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.***

$75,875,000
UNIVERSITY OF NORTH CAROLINA WILMINGTON
GENERAL REVENUE BONDS, SERIES 2026
of
THE BOARD OF GOVERNORS OF
THE UNIVERSITY OF NORTH CAROLINA

Dated: Date of Delivery **Due: April 1 or October 1, as shown on the inside cover**

University of North Carolina Wilmington General Revenue 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 Wilmington (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 April 1 and October 1, commencing April 1, 2027. Principal of, and interest on, the 2026 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*") to Cede & Co. as nominee for DTC. The 2026 Bonds are not subject to redemption before their maturities. The 2026 Bonds are being issued to provide funds to finance the acquisition of various projects of the University 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 May 1, 2002 between the Board and the Trustee and Series Indenture, Number 19 dated as of December 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 December 2, 2026, through the facilities of DTC in New York, New York against payment therefor. See Appendix F, **"BOOK-ENTRY ONLY SYSTEM."**

November 18, 2026

MATURITY SCHEDULE
(BASE CUSIP NUMBER 914722)[1]

$75,875,000 SERIAL 2026 BONDS

DATE OF MATURITY (OCTOBER 1)[2]	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP[1] (914722)
2027[3]	$5,970,000	5.00%	3.09%	TQ6
2027	5,345,000	5.00	3.09	TR4
2028	5,615,000	5.00	3.10	TS2
2029	5,915,000	5.00	3.16	TT0
2030	6,215,000	5.00	3.25	TU7
2031	6,535,000	5.00	3.33	TV5
2032	6,865,000	5.00	3.38	TW3
2033	7,220,000	5.00	3.44	TX1
2034	7,595,000	5.00	3.49	TY9
2035	7,975,000	5.00	3.54	TZ6
2036	6,390,000	5.00	3.63	UA9
2037	4,235,000	5.00	3.71	UB7

[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, any 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.

[2] Except as otherwise noted.

[3] Date of Maturity is April 1, 2027.

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

$75,875,000
University of North Carolina Wilmington
General Revenue 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 of the University of North Carolina (the "*Board*") of $75,875,000 aggregate principal amount of University of North Carolina Wilmington General Revenue Bonds, Series 2026 (the "*2026 Bonds*").

INTRODUCTION

The 2026 Bonds will be issued under and secured by a General Trust Indenture between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), dated as of May 1, 2002 (the "*General Indenture*"); Series Indenture, Number 19 between the Board and the Trustee, dated as of December 1, 2026 (the "*Nineteenth Series Indenture*," and collectively with the General Indenture, the "*Indentures*"); a resolution adopted by the Board on September 16, 2026 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, as amended (the "*Act*").

THE 2026 BONDS

The 2026 Bonds are being issued for the benefit of The University of North Carolina at Wilmington ("*UNCW*" or the "*University*") to provide funds to (1) finance the acquisition of the 2026 Project, as described herein, and (2) pay costs of issuance of the 2026 Bonds. See **"THE PLAN OF FINANCE"** herein.

The 2026 Bonds are limited obligations of the Board, payable solely from the Available Funds, as defined under **"SECURITY FOR THE 2026 BONDS"** herein. See **"PRINCIPAL AND INTEREST REQUIREMENTS FOR UNIVERSITY DEBT"** herein. Additional Bonds payable solely from Available Funds may be issued under the General Indenture under the conditions and limitations provided therein and described under **"SECURITY FOR THE 2026 BONDS—ADDITIONAL INDEBTEDNESS"** herein.

LIMITED OBLIGATIONS

The 2026 Bonds are limited obligations of the Board, payable solely from Available Funds. The 2026 Bonds do not constitute a debt or liability of the State or any political subdivision of the State. Neither the faith and credit nor the taxing power of the State or of any political subdivision or instrumentality of the State is pledged to the payment of the principal of or the interest on the 2026

Bonds. 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.

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.

UNCW is located in Wilmington, North Carolina on the southeastern coast of North Carolina less than 10 miles from the Atlantic Ocean. Given its location, UNCW is particularly susceptible to the effects of extreme weather events and natural disasters, especially floods and hurricanes. While not a yearly occurrence historically, UNCW has been impacted by hurricanes, tropical storms, and other severe weather events. See "**HURRICANES**" in APPENDIX A hereto.

See also "**CYBERSECURITY**" in APPENDIX A hereto.

ADDITIONAL INFORMATION

This Official Statement includes financial and other information about the Board and UNCW and also contains descriptions of the 2026 Bonds and the Indentures. Capitalized terms used herein are defined

in Appendix D hereto or in the Indentures. All references herein to the General Indenture, the Nineteenth 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 Vice Chancellor for Business Affairs, 601 South College Road, Wilmington, North Carolina 28403-3297 and (2) payment of duplicating costs.

The Board has agreed to provide, or cause UNCW 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 UNCW 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. The Bank of New York Mellon Trust Company, N.A., through its corporate trust office in Jacksonville, Florida, is serving as trustee, paying agent and registrar (the "*Trustee*," "*Paying Agent*" and "*Registrar*") for the 2026 Bonds.

SECURITY FOR THE 2026 BONDS

GENERAL

The 2026 Bonds are payable from Available Funds of the University or the Board held for the University. "*Available Funds*" is defined in the General Indenture as any funds of the University in each Fiscal Year remaining after satisfying obligations of the University 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. Available Funds are not pledged to the Trustee, but rather are the source from which principal and interest on the Bonds will be paid.

AVAILABLE FUNDS

The amount of Available Funds, using the definition above, for the Fiscal Years ended June 30, 2022 through June 30, 2026 are provided below:

	2022	2023	2024	2025	2026[4]
Previous June 30 Fiscal Year End Unrestricted Net Position	$(200,271,518)	$(151,211,730)	$(95,288,855)	$(69,525,916)	$(48,078,845)
Plus:					
Unrestricted Operating Revenues:					
Total Operating Revenue	195,035,909	215,975,159	244,185,669	262,909,438	295,781,201
Less: Restricted Revenue	(12,868,757)	(16,720,363)	(19,219,295)	(19,123,005)	(48,245,928)
Unrestricted Operating Revenues	182,167,152	199,254,796	224,966,374	243,786,433	247,535,273
Unrestricted and Auxiliary Gifts	2,239,067	3,145,194	3,381,041	3,623,242	5,914,770
Unrestricted and Auxiliary Investment Income	381,346	4,882,921	10,769,410	13,336,647	13,709,933
Unrestricted Endowment Income	672,621	734,868	806,115	863,888	865,255
Unrestricted Federal Aid - COVID-19	6,446,345	-	-	-	-
Unrestricted Other Non-Operating Revenue	593,558	341,090	462,813	537,281	195,002
Subtotal	192,500,089	208,358,870	240,385,753	262,147,491	268,220,233
Less:					
Student Tuition, Net[1]	(89,120,926)	(91,750,251)	(102,740,864)	(109,288,582)	(102,858,331)
Mandatory Debt Service Transfers	-	-	-	-	-
Total Unadjusted Available Funds:	(96,892,355)	(34,603,111)	42,356,034	83,332,993	117,283,057
Plus:					
GASB 68 (Retirement) adjustment[2]	28,104,833	22,889,157	23,918,726	34,866,708	34,214,029
GASB 75 (OPEB) adjustment[3]	287,013,555	271,418,174	246,497,687	238,214,493	219,719,429
Total Available Funds:	$ 218,226,033	$ 259,704,220	$ 312,772,447	$ 356,414,194	$ 371,216,515

1. As a result of an error in the fiscal year 2025 calculation of student tuition discounts, fiscal year 2026 student tuition, net was reduced by $15.9 million.
2. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* required the University to recognize its proportionate share of the State's overall net pension liability. Accordingly, beginning with Fiscal Year ended June 30, 2015, the impact on net position is reflected. Since this is a non-cash item, the adjustment adds back the deduction to calculate Available Funds.
3. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension* required the University to recognize its proportionate share of the State's overall liability for postemployment benefits beginning in the Fiscal Year ended June 30, 2018. Since this is a non-cash item, the adjustment adds back the deduction to calculate Available Funds.
4. Unaudited. Beginning in fiscal year 2026, certain revenues and expenses have been reclassified due to the implementation of GASB Statement No. 103.

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

In December 2018, UNCW entered into a public-private partnership with CHF – Wilmington, L.L.C. ("*CHF – Wilmington*") to construct a 1,814-bed student housing project (the "*P3 Housing Project*") to be delivered in two separate phases. The arrangements between UNCW and CHF – Wilmington could have a potential impact on UNCW's Available Funds. For a more detailed description of the P3 Housing

Project and the potential impact on UNCW's Available Funds, see Appendix A, **"—THE P3 HOUSING PROJECT."**

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 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.

DESCRIPTION OF THE 2026 BONDS

GENERAL

The 2026 Bonds will be issuable in denominations of $5,000 or integral multiples thereof, and will be dated and bear interest from their dated date. The 2026 Bonds will bear interest (payable on each April 1 and October 1, commencing April 1, 2027) at the interest rates and will mature on the dates provided on the inside cover page of this Official Statement.

The principal of the 2026 Bonds is payable at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., as the Trustee and Registrar. Interest on 2026 Bonds is payable by check or draft mailed to the Owners thereof on each Interest Payment Date at their addresses as they appear on the registration books maintained 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 Bondowner of at least $1,000,000 in Outstanding principal amount of the 2026 Bonds, principal and interest may be payable by wire transfer at the address specified in writing by the Bondowner by the Record Date preceding the Interest Payment Date. Additional information about the 2026 Bonds and the Indentures is provided in Appendix D 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. See Appendix F hereto. Except as described in Appendix F, Beneficial Owners (as defined in Appendix F) of the 2026 Bonds will not receive or have the right to receive physical delivery of certificates representing their ownership interests in the 2026 Bonds. For so long as any purchaser is the Beneficial Owner of a 2026 Bond, such purchaser must maintain an account with a broker or dealer who is or acts through a Direct Participant (as defined in Appendix F) to receive payment of the principal of, premium, if any, or interest on such 2026 Bonds.

REDEMPTION

The 2026 Bonds are not subject to redemption before their maturities.

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PRINCIPAL AND INTEREST REQUIREMENTS FOR UNIVERSITY DEBT

As of June 30, 2026, the University had $157,184,978 debt principal outstanding payable from Available Funds. The following table sets forth for each respective fiscal year the estimated amounts required in such year for the payment of principal of and interest on Bonds to be outstanding after issuance of the 2026 Bonds.

Fiscal Year Ending June 30	Debt Service on Existing Parity Obligations[1]	2026 Bonds		Subordinate/ Other Indebtedness[1]	Total Debt Service[2]
		Principal	Interest		
2027	$10,219,613	$5,970,000	$1,254,045	$1,004,998	$18,448,656
2028	11,140,090	5,345,000	3,361,625	1,033,243	20,879,958
2029	9,450,163	5,615,000	3,087,625	1,631,749	19,784,537
2030	9,683,890	5,915,000	2,799,375	1,040,145	19,438,410
2031	9,912,919	6,215,000	2,496,125	556,842	19,180,886
2032	9,940,687	6,535,000	2,177,375	557,140	19,210,202
2033	9,933,346	6,865,000	1,842,375	492,017	19,132,738
2034	9,937,148	7,220,000	1,490,250	-	18,647,398
2035	9,362,629	7,595,000	1,119,875	-	18,077,504
2036	9,356,653	7,975,000	730,625	-	18,062,278
2037	9,353,413	6,390,000	371,500	-	16,114,913
2038	9,357,581	4,235,000	105,875	-	13,698,456
2039	10,312,183	-	-	-	10,312,183
2040	10,324,239	-	-	-	10,324,239
2041[2]	56,582,809	-	-	-	56,582,809
2042	3,079,850	-	-	-	3,079,850
2043	3,086,050	-	-	-	3,086,050
2044	3,089,400	-	-	-	3,089,400
2045	3,084,850	-	-	-	3,084,850
2046	3,082,550	-	-	-	3,082,550
2047	3,082,250	-	-	-	3,082,250
2048	3,083,850	-	-	-	3,083,850
2049	3,082,200	-	-	-	3,082,200
2050	1,157,200	-	-	-	1,157,200
2051	377,400	-	-	-	377,400
Total[3]	**$221,072,961**	**$75,875,000**	**$20,836,670**	**$6,316,134**	**$324,100,765**

[1] Consists of payments pursuant to an installment financing contract relating to energy savings improvements, and other lease and debt obligations. Excludes rental payments under Lease Agreements between UNCW Corporation and the State of North Carolina related to the obligations that will be paid off as part of the acquisition of the Seahawk Housing Complex from the proceeds of the 2026 Bonds. See Note 9 to the Financial Statements provided in Appendix B and Appendix C hereto.

[2] Includes a $52,435,000 principal payment due on October 1, 2040, which the University intends to refinance prior to such date.

[3] Totals may not foot due to rounding.

In October 2026, an associated entity of the University known as UNCW Corporation II Randall Parkway, LLC (the "*LLC*") incurred a loan in the amount of $16.6 million to purchase a 216-bed apartment complex near the University's campus from a private owner. The term of the loan is just less than three years and approximately $15.9 million will be outstanding on the loan at the end of such term.

Prior to the purchase, the University leased all beds in the complex to provide additional student housing near campus. Under the LLC's ownership, the beds will continue to be leased to the University for a period of approximately three years. The source of repayment for the loan that the LLC incurred is the lease payments that the LLC receives from the University. At the end of the existing lease period, the University will either (i) extend the lease with the LLC (allowing the LLC to refinance the loan, with the

source of repayment being the University's lease payments under the extended lease) or (ii) incur debt of the University to provide funds for the University to purchase the complex from the LLC (at which point the LLC's loan will be paid off).

THE PLAN OF FINANCE

Proceeds of the 2026 Bonds will be used to (1) finance the acquisition of the Seahawk Housing Complex as authorized by S.L. 2024-24 of the 2023 Session Laws of the North Carolina General Assembly, which includes the acquisition of Seahawk Crossing, Seahawk Landing, Seahawk Village, the East Parking Deck, and the Shops at the Crossing from the UNCW Corporation, which were previously financed and refinanced by UNCW Corporation with limited obligation bonds (the "*2026 Project*") and (2) pay costs of issuance of the 2026 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds are estimated to be as follows:

SOURCES:	
Par Amount of the 2026 Bonds	$75,875,000
Original Issue Premium	5,592,015
TOTAL SOURCES	**$81,467,015**
USES:	
Project Costs	$81,099,191
Costs of Issuance[1]	367,824
TOTAL USES	**$81,467,015**

[1] Includes underwriting compensation, legal fees, financial advisor fees, rating agency fees, trustee fees and other miscellaneous costs of issuing 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 UNCW or refunding any bonds issued under the Act or under any provision of any Article of Chapter 116 for the benefit of UNCW.

The University of North Carolina System (the "*UNC System*") is composed of the following institutions: the University of North Carolina at Asheville, the University of North Carolina at Chapel Hill, the 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 at 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, the University of North Carolina School of the Arts, North Carolina State University, Western Carolina University, Winston-Salem State University and the North Carolina School of Science and Mathematics.

UNIVERSITY OF NORTH CAROLINA WILMINGTON

UNCW was founded in 1947 as a two-year institution called Wilmington College. It became a four-year institution in 1963, merged into the University of North Carolina in 1969 and became a constituent institution of the University of North Carolina in 1972. During the 2017-18 academic year, UNCW celebrated its 70th anniversary. Like other constituent institutions, UNCW is governed by the UNC Board of Governors and has its own Board of Trustees. The Board of Trustees is dedicated to promoting the sound development of the University and helping it to serve the people of the State of North Carolina in a way that will complement the activities of the other institutions in the UNC System. The University is located in Wilmington, North Carolina in the southeastern region of North Carolina, four miles from the Cape Fear River and five miles west of Wrightsville Beach and the Atlantic Ocean.

The University offers an array of high-quality programs at the baccalaureate and master's levels as well as select doctoral programs. UNCW offers a number of distance learning options, including an accelerated R.N.-to-B.S.N. program taught exclusively online that is specifically structured for working professionals and an Executive MBA program designed for aspiring executives. The University also operates extension sites in several regional counties. UNCW, recognized nationally as a military-friendly university, works closely with Coastal Carolina Community College, Marine Corps Base Camp Lejeune and Marine Corps Air Station New River to offer programs designed for military personnel and their families.

For information about the University, see Appendix A hereto.

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 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, 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.

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 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 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 is further of the opinion that, under existing law, the interest on the 2026 Bonds is exempt from State of North Carolina income taxation.

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 PREMIUM

As indicated on the inside cover page, the 2026 Bonds maturing on April 1, 2027 and October 1 in each of the years 2027 through 2037, inclusive, (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 and brokers) 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 under the Nineteenth Series Indenture, in accordance with Rule 15c2-12 (the "*Rule*") promulgated by the United States Securities and Exchange Commission (the "*SEC*"), for the benefit of the registered owners and beneficial owners of the 2026 Bonds, to provide or cause UNCW to provide to the MSRB:

(a) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2026, the audited financial statements of UNCW for such Fiscal Year, if available, prepared in accordance with the laws of the State applicable to the constituent institutions of the University of North Carolina, or if such audited financial statements are not then available, unaudited financial statements of UNCW for such Fiscal Year to be replaced subsequently by audited financial statements of UNCW 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, beginning with the Fiscal Year ended June 30, 2026, the financial and statistical data as of a date not earlier than the end of such Fiscal Year for the type of information included (1) in the table of Available Funds under the heading **"SECURITY FOR THE 2026 BONDS— AVAILABLE FUNDS"** and (2) in Appendix A herein in the tables under the heading **"—FINANCIAL INFORMATION,"** in each case to the extent such information is not included in the audited financial statements referred to in (a) above;

(c) in a timely manner not in excess of 10 Business Days after the occurrence of the 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 Internal Revenue Service 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 of 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 UNCW;

(13) the consummation of a merger, consolidation, or acquisition involving UNCW or the sale of all or substantially all of the assets of UNCW, 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 the change in the name of a trustee, if material;

(15) incurrence of a financial obligation of the Board related to UNCW, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Board related to UNCW, any of which affect the beneficial owners 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 UNCW, 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 subparagraph (c)(15) and subparagraph (c)(16) of this Section, "*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*" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

All documents provided to the MSRB must be accompanied by identifying information as prescribed by the MSRB. Currently, such information is provided through the EMMA system maintained by the MSRB. The continuing disclosure filing requirements described above may be met by complying with any other procedure that may be required or authorized by the SEC.

The undertaking described above is intended for the benefit of the registered owners and the beneficial owners of the 2026 Bonds and is enforceable by the Trustee, the registered owners or the beneficial owners of the 2026 Bonds, including an action for specific performance of the 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 Nineteenth Series Indenture, the Board may modify from time to time, consistent with the Rule, the information 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 outstanding principal amount of the 2026 Bonds pursuant to the terms of the General Indenture and the Nineteenth Series Indenture, as they may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information will 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. The continuing obligation to provide or cause to be provided annual financial information and notices of events will terminate if and when the Board no longer remains an "obligated person" with respect to the 2026 Bonds within the meaning of the Rule.

The Board has delegated to each constituent institution responsibility for complying with the continuing disclosure undertakings relating to bonds issued for its benefit. UNCW 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.

Except as described in this paragraph, the Board is not aware of any instances in which it has failed to comply, in any material respect, with the requirements of an undertaking made pursuant to the Rule in connection with bonds issued by the Board for the benefit of UNCW in the last five years. As required by the terms of a prior undertaking made pursuant to the Rule in connection with the $8,420,000 University of North Carolina Wilmington General Revenue Bonds (the "*2021 Bonds*"), UNCW timely filed to EMMA its audited financial statements and operating data for Fiscal Year 2021. However, such filings were not correctly linked to the CUSIPs for the 2021 Bonds. UNCW has since corrected these CUSIP linking issues.

RATING

Moody's Investors Service ("*Moody's*") has assigned the 2026 Bonds a rating of "Aa3." Explanations of the significance of the rating may be obtained from Moody's. The rating reflects only the view of the rating agency, and neither the Board nor UNCW makes any representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that the ratings 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. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

LITIGATION

There is no litigation pending against the Board or UNCW, 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 Nineteenth 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 UNCW's activities. Such audits, compliance reviews and investigations may relate to any activity at UNCW, and may be conducted by persons within or outside UNCW, including, but not limited to, federal agencies, the North Carolina State Auditor's office and other state governmental agencies.

The UNC 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 UNC 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 UNC 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 E 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 underwriter for the 2026 Bonds is J.P. Morgan Securities LLC. The underwriter for the 2026 Bonds has 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 underwriter for the 2026 Bonds anticipates total selling compensation of $7,587.50.[1] The public offering prices or yields of the 2026 Bonds may be changed from time to time by the underwriter of the 2026 Bonds.

[1] Information provided by the underwriter of the 2026 Bonds.

MISCELLANEOUS

The summaries of the provisions of the 2026 Bonds and the Indentures contained in this Official Statement, including Appendix D, 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.

APPENDIX A

UNIVERSITY OF NORTH CAROLINA WILMINGTON

APPENDIX A

UNIVERSITY OF NORTH CAROLINA AT WILMINGTON

GENERAL

The University of North Carolina at Wilmington (the "*University*" or "*UNCW*") was founded in 1947 as a two-year institution called Wilmington College. It became a four-year institution in 1963, merged into the University of North Carolina (the "*UNC System*") in 1969, became a constituent institution of the UNC System in 1972, and celebrated its 70th anniversary during the 2017-18 academic year. The University is located in Wilmington, North Carolina in the southeastern region of the State, four miles from the Cape Fear River and five miles west of Wrightsville Beach and the Atlantic Ocean.

The University offers an array of high-quality programs at the baccalaureate and master's levels as well as select doctoral programs. UNCW offers a number of distance learning options, including an accelerated R.N.-to-B.S.N. program taught exclusively online that is specifically structured for working professionals and an Executive MBA program designed for aspiring executives. The University also operates extension sites in several regional counties. UNCW, recognized nationally as a military-friendly university, works closely with Coastal Carolina Community College, Marine Corps Base Camp Lejeune, and Marine Corps Air Station New River to offer programs designed for military personnel and their families.

GOVERNANCE

Like other constituent institutions of the UNC System, UNCW is governed by the Board of Governors of the University of North Carolina (the "*Board of Governors*"), which is responsible for all basic policies for the UNC System as a multi-institutional university. UNCW has its own administrative structure and a separate Board of Trustees. The Board of Trustees, which is dedicated to promoting UNCW's sound development and helping it to serve the people of the State in a way that will complement the activities of the other institutions in the UNC System, serves as an advisor to the Board of Governors on matters pertaining to UNCW.

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

The following lists the current members of the Board of Trustees and their principal residence.

Traci L. Butler	Apex, NC
Earl F. Caison II	Wilmington, NC
Frances Chappell	Wilmington, NC
Jeffrey D. Clark	Jacksonville, NC
Stephen E. Griffin	Durham, NC
Karen K. King	Wilmington, NC
Yousry Sayed, Ph.D.	Wilmington, NC
Dane Scalise	Wilmington, NC
Carrie B. Shields	Mount Olive, NC
Jimmy T. Tate, Ed.D.	Topsail, NC
Luke Waddell	Wilmington, NC
Aldona Z. Woś, M.D.	Greensboro, NC
Russia Naranjo (*Ex Officio*)	Wilmington, NC

UNIVERSITY ADMINISTRATION

The following table provides the names and positions of the principal academic and Vice Chancellors of the University:

NAME	POSITION	SINCE
Aswani K. Volety	Chancellor	2022
Robert T. Burrus Jr.	Provost and Vice Chancellor for Academic Affairs	2026
Miles Lackey	Vice Chancellor for Business Affairs	2018
Christine Reed Davis	Vice Chancellor for Student Affairs	2024
Eddie Stuart	Vice Chancellor for Advancement	2013

Aswani K. Volety, Chancellor. Dr. Aswani K. Volety assumed the role of Chancellor at UNCW on July 1, 2022. His appointment marked a return to UNCW, where he had previously served as Dean of the College of Arts and Sciences and Executive Director of the Center for Marine Science. Prior to his return to the University, Dr. Volety served as Provost and Vice President for Academic Affairs at Elon University. His career in higher education also includes senior leadership roles at Florida Gulf Coast University (FGCU), where he was Interim Dean of the College of Arts and Sciences and Director of the Vester Marine Field Station. Born and educated in India, Dr. Volety earned a Bachelor of Science and a Master of Science in Zoology with a specialization in Marine Biology from Andhra University. He later received his Ph.D. in Marine Science from the College of William & Mary, where he also developed his expertise in shellfish biology and estuarine ecology. In addition to his academic credentials, he holds graduate certificates in management and leadership from Harvard University. Dr. Volety's research has been supported by several federal and state agencies and has appeared in numerous peer-reviewed journals. He has held leadership positions in scientific organizations, including serving as President of the National Shellfisheries Association and as a Fulbright Fellow to France. He is also a Board Member of the North Carolina Biotechnology Center.

Robert T. Burrus Jr., Provost and Vice Chancellor for Academic Affairs. Mr. Burrus was named provost and vice chancellor for academic affairs in April 2026. A member of the UNCW faculty since 1998, Dr. Burrus served as dean of the Cameron School of Business from 2015-2025 and one year as interim dean. As dean, Dr. Burrus held multiple leadership roles at UNCW, including chair of the Department of Economics and Finance and associate dean for undergraduate programs and assessment. He holds a Ph.D. and M.A. in Economics from the University of Virginia and a B.S. from Wake Forest University. In addition, he completed the UNC System's Executive Leadership Program in 2024.

Miles Lackey, Vice Chancellor for Business Affairs. Mr. Lackey was named to his position in April 2018. Prior to joining the University, he was Chief Financial Officer and Chief of Staff at Iowa State University. Mr. Lackey previously directed the Office of Federal Affairs at UNC Chapel Hill, where he served as the chief federal policy advisor to the chancellor, Board of Trustees and campus leadership and research teams. He also worked for the UNC System as director for federal relations. In 2003, Mr. Lackey began a three-year stint as a legislative aide for then-Senator Elizabeth Dole of North Carolina. Mr. Lackey holds an M.B.A. from UNC Chapel Hill, a master's degree in public administration from George Mason University, and a bachelor's degree in political science from Lenoir-Rhyne University in Hickory, NC.

Christine Reed Davis, Vice Chancellor for Student Affairs. Dr. Reed Davis was named Vice Chancellor for Student Affairs effective Jan. 16, 2024. She had previously served as Associate Vice Chancellor for Student Affairs and Dean of Students at the University of North Carolina at Charlotte from 2013 to 2023 and was also Assistant Dean for Conduct at Boston College from 2012 to 2013 before returning to UNC Charlotte. Dr. Reed Davis holds a Doctor of Education degree from UNC Charlotte in Educational Leadership, a Master of Education in Student Personnel in Higher Education from the

University of Georgia, and a Bachelor of Science in Psychology from Central Connecticut State University. She also holds a certificate in Crisis Leadership in Higher Education from Harvard University.

Eddie Stuart, Vice Chancellor for Advancement. Mr. Stuart was named Vice Chancellor for Advancement in 2013. Prior to this role, he served as Assistant Vice Chancellor for Advancement from 2009 to 2013, where he led UNCW's philanthropic major gifts program including major gifts, parent giving, corporate and foundation giving and planned giving. Prior to this position, Mr. Stuart was UNCW's Senior Director of Development. Mr. Stuart graduated from Elon University with a Bachelor of Arts degree in Corporate Communications and a minor in Business Administration. He received his Master of Public Administration from UNCW in 2005.

ACADEMICS

The University offers 60 undergraduate degree programs, 40 master's degree programs and six doctoral degrees. It is comprised of five separate colleges: the Cameron School of Business, the College of Health and Human Services, the College of Humanities, Social Sciences, and the Arts, the College of Science and Engineering, the Watson College of Education, as well as a Graduate School and Honors College. In the 2025-2026 academic year, UNCW employed 1,338 full-time and part-time instructional faculty and 1,464 full-time and part-time staff. The University has a 18:1 student to teacher ratio and offers 19 Division I intercollegiate athletic programs.

ACCREDITATION

The University is accredited by The Commission on Colleges and Universities to award bachelor's, master's and doctoral degrees.

ENROLLMENT

The chart below is a summary of the University's first year admissions data since 2022.

APPLICATIONS AND ACCEPTANCES

	Fall 2022	Fall 2023	Fall 2024	Fall 2025	Fall 2026
Applications	16,860	17,370	20,393	22,359	22,621
Acceptances	11,605	12,856	13,101	14,472	15,352
Matriculations	2,370	2,701	2,754	3,109	3,364
Acceptances/Applications	68.8%	74.0%	64.2%	64.7%	67.8%
Matriculations/Acceptances	20.4%	21.0%	21.0%	21.5%	21.9%

In the Fall of 2026, approximately 85% of enrolled freshmen attending the University came from North Carolina and 15% from other states and foreign countries.

FALL HEADCOUNT ENROLLMENT BY LEVEL

HEADCOUNT	FALL 2022	FALL 2023	FALL 2024	FALL 2025	FALL 2026
Undergraduate	14,294	14,494	15,254	16,131	16,978
Graduate	3,549	3,493	3,594	3,764	3,577
Total	**17,843**	**17,987**	**18,848**	**19,895**	**20,555**

	FALL 2022	FALL 2023	FALL 2024	FALL 2025	FALL 2026
Undergraduate	13,179	13,564	14,304	15,222	16,168
Graduate	2,760	2,721	2,799	2,974	2,622
Total	**15,939**	**16,285**	**17,103**	**18,196**	**18,790**

TUITION AND FEES

The University's tuition and fees for recent academic years per full-time student is provided below.

ACADEMIC YEAR	2022-23	2023-24	2024-25	2025-26	2026-2027
Undergraduate – In State	$ 7,238	$ 7,317	$ 7,356	$ 7,387	$ 7,520
Undergraduate – Out of State	21,858	22,985	24,231	25,541	26,219
Graduate –In State	7,514	7,853	8,191	8,539	8,707
Graduate – Out of State	21,900	23,029	24,277	25,590	26,269

Effective with the fall 2016 semester, each UNC System constituent institution implemented the Fixed Tuition Program as required by North Carolina General Statute. The University participates in the 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 (and sometimes ten) or the equivalent number of remaining semesters for transfer students.

Mandatory student fee increases (including debt service fees) are also capped at three percent per year.

HURRICANES

The University is located in Wilmington, North Carolina in the southeastern region of North Carolina, four miles from the Cape Fear River and five miles west of Wrightsville Beach and the Atlantic Ocean. Hurricanes and other tropical weather events have impacted the Wilmington area and will likely do so in the future, although it is impossible to predict what impact that may have on UNCW generally or what may be due to any global climate change. The last hurricane to have a significant impact on UNCW was Hurricane Florence in 2018 causing damage to UNCW's facilities, infrastructure and grounds with approximately 80% of buildings impacted. UNCW's Office of Environmental Health and Safety is responsible for the All-Hazards Emergency Operations Plan. See "**ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) ACTIVITIES --** *Emergency Operations Planning*" below.

CYBERSECURITY

The creation, preservation and exchange of information is an intrinsic part of the UNCW's teaching, scholarship, and administrative operations. Increasingly information is processed, handled, or stored in an electronic form. UNCW relies on a large and complex technology environment to support its business functions and mission to be a national model for student success, public service, and regional transformation. UNCW accomplishes its mission through education, research, and other activities and

services while being good stewards of the resources entrusted to them. This stewardship includes strategic efforts to safeguard information technology and data, including an Information Security Program, and practices and processes for University Data Governance.

Information Security Policies - The University Information Security Program, as described in the UNCW Information Security policy, consists of a collection of enterprise rules, standards, guidance, and technical controls. These policies are intended to establish a framework of principles and operational procedures to ensure the security of information resources consistent with the mission and goals of the University. This program serves to protect University information from unauthorized and/or unlawful disclosure, destruction, or denial of access, while helping to ensure the confidentiality, integrity, and availability of data and IT resources at UNCW. The University Policy Manual includes numerous policies pertinent to information security and compliance and is published on the University's website and available to the public. As a constituent institution of the UNC System, the statewide policies approved by the Board of Governors apply to UNCW, and include policies related to IT governance, information security, and user identity and access control.

University Data Governance - UNCW manages a formal Data Governance Program, with practices and processes to help ensure the formal management and safeguarding of data assets. Data Stewards are designated as assigned authority for access and use for different data types. University data is classified at different levels based on sensitivity and compliance requirements. Certain uses and disclosures of data must be approved in advance by the appropriate data steward, and data storage locations approved. UNCW maintains a Data Governance Committee along with supporting governance committees.

Protecting Against Cyber Threats - UNCW's information technology environment faces multiple cyber security threats, and as a recipient and provider of sensitive information, UNCW may be the target of cyber security incidents that could result in adverse consequences to the University. To mitigate the risk of adverse impacts to business operations or damage from cyber security incidents or cyber-attacks, the University invests in multiple forms of cyber security and operational safeguards. UNCW's information technology systems are managed by Information Technology Services ("*ITS*") under the supervision of the University's Chief Information Officer. ITS conducts extensive disaster recovery planning and testing, administers a University-wide vulnerability management process, and directs a defense in depth approach to cyber security and protection.

As described in the University's Cybersecurity Incident Response Plan, the University continually monitors security events that may indicate a possible compromise of IT security, policy, failure of controls, or a previously unknown situation that may be security relevant. Events detected are analyzed to determine cyber incidents that may adversely impact business operations or threaten information security, which are investigated through formal incident response processes managed by the Security Operations Center (SOC). Cyber security incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the IT systems or data for the purposes of misappropriating assets or information or causing operational disruption and damage. UNCW utilizes a SIEM (Security Information Event Management), a system that leverages logs and alerts from other IT systems, as well as EDR (Endpoint Detection and Response), to provide continuous security monitoring and threat intelligence to help IT staff better detect and respond to cyber incidents. ITS also leverages security tools for forensics investigation, sensitive data scanning, and vulnerability scanning.

Information Security Standards, Guidance, and Risk Management - UNCW has a multifaceted Information Security Program, and the program is overseen by the Chief Information Security Officer, with support provided by other team members. UNCW, along with its sister institutions within the UNC System, adopted the International Organization for Standardization's ISO/IEC 27002 as the de facto framework for the formulation of its information security related policies. ISO 27002 is an internationally recognized standard of good practice to safeguard from risks to the confidentiality, integrity, and availability of

information. The UNCW Information Security Program is based on the ISO/IEC 27002 code of practice for security controls and a gap analysis is prepared annually for review by its peer group at the UNC-Information Security Committee.

All ITS employees are required to complete an online security awareness course on an annual basis and optional training is provided to all UNCW Faculty and Staff.

Risks from Cyber Threats - The University carries a cyber insurance policy. While UNCW's cyber security and operational safeguards are periodically tested and audited, no assurances can be given by the University that such measures will provide a guarantee against cyber security threats and attacks from occurring. Cyber security breaches could cause material disruption to the University's finances or operations. The costs of remedying any such damage, or protecting against future attacks, could be substantial, and insurance may not be adequate to cover such losses or other resultant costs and expenses. Further, cyber security breaches could expose the University to material litigation and other legal risks, which could result in material costs related to such legal claims or proceedings.

FINANCIAL INFORMATION

A discussion of UNCW's Available Funds as the source of payment for the 2026 Bonds is provided under the heading, **"SECURITY FOR THE 2026 BONDS – AVAILABLE FUNDS"** in the front part of the Official Statement. UNCW's financial statements are presented in accordance with 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 North Carolina Office of State Auditor (the "*OSA*") has given its unqualified opinion on UNCW's fiscal year ended June 30, 2025 audited financial statements. The OSA's opinion letter and UNCW's fiscal year ended June 30, 2025 audited financial statements and Management's Discussion and Analysis are provided in Appendix B to the Official Statement.

UNCW's unaudited financial statements for the fiscal year ended June 30, 2026 are provided in Appendix C to the Official Statement. UNCW expects that its audited financial statements for the fiscal year ended June 30, 2026 may become available between the date that the 2026 Bonds are sold and the date that the 2026 Bonds are issued. UNCW will not supplement the Official Statement but will post such financial statements to EMMA as soon as practicable in compliance with its continuing disclosure obligations.

CONDENSED STATEMENT OF NET POSITION
JUNE 30, as indicated

	2026*	2025	Change
Assets			
Current Assets	$ 368,742,636	$ 304,779,096	$ 63,963,540
Capital Assets, Net	887,773,789	867,463,576	20,310,213
Other Noncurrent Assets	365,790,929	240,345,647	125,445,282
Total Assets	1,622,307,354	1,412,588,319	209,719,035
Total Deferred Outflows of Resources	107,836,200	143,776,731	(35,940,531)
Liabilities			
Current Liabilities	54,038,918	44,926,923	9,111,995
Long-Term Liabilities, Net	511,038,612	568,415,762	(57,377,150)
Other Noncurrent Liabilities	2,677,827	4,716,817	(2,038,990)
Total Liabilities	567,755,357	618,059,502	(50,304,145)
Total Deferred Inflows of Resources	223,282,741	160,237,957	63,044,784
Net Position			
Net Investment in Capital Assets	562,700,653	548,973,102	13,727,551
Restricted - Nonexpendable	107,362,835	92,552,552	14,810,283
Restricted - Expendable	236,345,825	184,620,782	51,725,043
Unrestricted	32,696,143	(48,078,845)	80,774,988
Total Net Position	$ 939,105,456	$ 778,067,591	$ 161,037,865

* Unaudited.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, as indicated

	2026**	2025*	Change
Operating Revenues			
Student Tuition and Fees, Net	$ 146,652,351	$ 133,685,528	$ 12,966,823
Student Financial Aid	39,848,468	38,836,776	1,011,692
Sales and Services, Net	78,282,983	69,740,783	8,542,200
Grants and Contracts	20,474,578	24,547,609	(4,073,031)
Other Operating Revenues	10,522,821	9,220,495	1,302,326
Total Operating Revenues	295,781,201	276,031,191	19,750,010
Operating Expenses			
Salaries and Benefits	289,525,543	305,875,793	(16,350,250)
Supplies and Services	129,895,062	121,880,835	8,014,227
Scholarships and Fellowships	15,135,177	14,773,587	361,590
Utilities	10,557,616	9,847,953	709,663
Depreciation/Amortization	33,579,805	30,705,852	2,873,953
Total Operating Expenses	478,693,203	483,084,020	(4,390,817)
Operating Loss	(182,912,002)	(207,052,829)	24,140,827
Noncapital Subsidies			
State Appropriations	222,392,873	221,143,329	1,249,544
State Aid	2,389,459	2,014,020	375,439
Noncapital Contributions, Net	3,574,708	31,301,798	(27,727,090)
Total Noncapital Subsidies	228,357,040	254,459,147	(26,102,107)
Operating Loss and Noncapital Subsidies	45,445,038	47,406,318	(1,961,280)
Other Nonoperating Revenues (Expenses)			
Investment Income, Net	79,319,315	31,757,955	47,561,360
Expenses Related to Financing Related to Debt	(8,563,803)	(6,851,984)	(1,711,819)
Revenues Related to Financing other than Debt	11,116	13,858	(2,742)
Loss from the Disposal of Capital Assets	(136,311)	(704,407)	568,096
Capital Contributions	30,216,845	17,571,605	12,645,240
Additions to Endowments	14,745,665	4,444,960	10,300,705
Total Other Nonoperating Revenues	115,592,827	46,231,987	69,360,840
Increase in Net Position	161,037,865	93,638,305	67,399,560
Net Position - Beginning of Year	778,067,591	684,429,286	93,638,305
Net Position - End of Year	939,105,456	778,067,591	161,037,865
Reconciliation of Change in Net Position			
Total Revenues	$ 648,431,182	$ 584,278,716	$ 64,152,466
Less: Total Expenses	487,393,317	490,640,411	(3,247,094)
Increase in Net Position	$ 161,037,865	$ 93,638,305	$ 67,399,560

*Certain fiscal year 2025 revenues and expenses have been reclassified for comparative presentation due to the implementation of GASB 103 and the correction of an error in the prior year student tuition discount calculation.
** Unaudited

State Appropriations. The University 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 general fund appropriations for the past five fiscal years are provided below:

	2022	2023	2024	2025	2026[1]
State Appropriations	$181,222,251	$192,468,360	$208,553,275	$221,143,329	$222,392,873
State Aid – Coronavirus Relief Fund	3,209,461	-	-	-	-
Capital Appropriations	-	-	-	-	-
State Capital Grants	10,125,117	10,724,276	37,488,120	17,469,254	30,158,158
Total State Aid	**$194,556,829**	**$203,192,636**	**$246,041,395**	**$238,612,583**	**$252,551,031**

[1] Unaudited.

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 current year's budget was appropriated by S.L. 2026-41, which became law on July 7, 2026. Budget appropriations to the University totaled $217,239,729, or about 4.3% per budgeted year of authorized appropriations to universities across the State, which totaled around $5 billion.

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 UNC System at any particular level in the future.

The University's operating appropriations which include base budget as well as recurring and non-recurring budget revisions for the fiscal year ended June 30, 2027 are projected to increase from $222,392,873 to $243,575,546, representing a 9.5% increase based largely on enrollment funding. Appropriations from the General Assembly are not included in the Available Funds calculation.

INVESTMENTS

The University'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 the University's discretion. For more information, please refer to the audited financial statements for the fiscal year ended June 30, 2025 in Appendix B and the unaudited financial statements for the fiscal year ended June 30, 2026 in Appendix C to the Official Statement.

CERTAIN AFFILIATES OF THE UNIVERSITY

The University and its programs are supported by the Student Aid Association and The Foundation of the University of North Carolina at Wilmington, each of which are related foundations established to increase fundraising as well as to provide additional services and assistance to the University. The foundations are incorporated as affiliated nonprofit 501(c)(3) corporations.

OUTSTANDING DEBT

At June 30, 2026 (unaudited), the University had $238.27 million of long-term debt outstanding, including $157.18 million of general revenue bonds, notes payable and capital lease obligations and $81.09 million of limited obligation bonds. For more information related UNCW's outstanding indebtedness please refer to the June 30, 2025 audited financial statements in Appendix B and the unaudited financial statements for the fiscal year ended June 30, 2026 in Appendix C to the Official Statement and **"SECURITY FOR THE 2026 BONDS-GENERAL"** and **"PRINCIPAL AND INTEREST REQUIREMENTS FOR UNIVERSITY DEBT**" in the Official Statement.

THE P3 HOUSING PROJECT

In December 2018, UNCW entered into a public-private partnership with CHF – Wilmington, L.L.C. ("*CHF – Wilmington*") to construct a 1,814-bed student housing project on UNCW's campus (the "*P3 Housing Project*") to be delivered in two separate phases. The first phase, containing approximately 1,038 beds, was placed into service in the Fall of 2020. The second phase, containing approximately 776 beds, was delivered in the Fall of 2021.

UNCW leased to CHF – Wilmington the site of the P3 Housing Project (the "*Site*") under a ground lease (the "*Ground Lease*") for a term not to exceed 50 years. CHF – Wilmington issued approximately $148 million in tax-exempt bonds (the "*P3 Bonds*") for a term of 40 years to finance both phases of the P3 Housing Project. The P3 Bonds are secured by the revenues of the P3 Housing Project and a leasehold deed of trust in CHF – Wilmington's interest in the Site and the improvements located on the Site. **Neither the State nor UNCW has any obligation with respect to the repayment of the P3 Bonds**.

Under the Ground Lease, CHF – Wilmington pays UNCW an annual rental payment equal to all surplus cash flow produced by the P3 Housing Project, subject to the satisfaction of certain financial covenants and other conditions outlined in the P3 Bond documents. UNCW operates and manages the P3 Housing Project on CHF – Wilmington's behalf and must treat the P3 Housing Project on an equal basis with UNCW's on-campus housing stock. UNCW has also agreed to subordinate certain expenses with respect to services it provides to the P3 Housing Project.

FUTURE CAPITAL PLANS

UNCW has an ongoing capital improvement program which has historically been funded by a combination of gifts, State capital funds, University funds and debt financing. In addition to the authorization being used related to the 2026 Bonds, UNCW has debt financing authority from the North Carolina General Assembly for several projects: $12,000,000 for the construction of a parking deck, $20,357,028 for the construction of a parking deck, and $167,000,000 to acquire the P3 Housing Project described above. UNCW plans to issue up to $20,357,028 in 2027 for the purpose of constructing a parking deck. UNCW expects to finance the acquisition of the P3 Housing Project if and when the market conditions are such that it is financially advantageous for UNCW to do so at that time. The bonds that originally financed the P3 Housing Project become subject to optional redemption on July 1, 2028. Any borrowing described in this paragraph remains subject to the approval of the Board of Trustees of the University, the Board of Governors, and the State Budget Director.

CAMPUS DEVELOPMENT

Campus Master Plan — The University's Campus Master Plan (the "*Campus Master Plan*"), approved by the Board of Trustees in August 2024, is intended to serve as a roadmap for the physical development of the campus for approximately the next ten years and to implement the facilities and infrastructure elements of the University's strategic plan. See "**ENVIRONMENTAL, SOCIAL AND**

CORPORATE GOVERNANCE (ESG) ACTIVITIES - *Strategic Plan*" below. The Campus Master Plan identifies building and landscape projects to be undertaken in phases and may be amended by the University as campus needs change.

Projects Under Construction and Projects Recently Completed — In February 2026, UNCW broke ground on a new 543-bed residence hall, Hammerhead Hall, on the site of the former Galloway Hall. The estimated construction cost of Hammerhead Hall is approximately $71 million, and UNCW expects construction to be completed in the fall of 2027. UNCW also is completing construction of a new anatomy laboratory in Veterans Hall.

Planned Campus Projects — The Campus Master Plan also identifies additional projects that UNCW may undertake over the next several years and thereafter, including an Integrated Science and Technology building, a Welcome Center, an expansion of Kenan Auditorium, and a parking structure. UNCW has begun planning for an expansion of Cameron Hall and is evaluating the development of a hotel and conference center on its main campus through a ground lease arrangement with a private entity. No assurance can be given that any project will be undertaken or completed, as currently contemplated by the Campus Master Plan or otherwise.

Proposed Medical School — On May 21, 2026, the Board of Governors authorized UNCW to begin planning for a proposed school of medicine. The proposed school would offer a four-year medical degree program and an accelerated three-year track and is intended to help address physician workforce shortages in the State, particularly in rural and southeastern North Carolina. UNCW does not propose to operate a university-owned teaching hospital. Instead, the proposed school would use a distributed clinical model under which medical students would receive clinical training through affiliations with hospitals, federally qualified health centers, clinics and medical practices in the region.

The Board of Governors' action authorizes UNCW to proceed with planning activities only and does not constitute approval to establish a school of medicine. The establishment of the school remains subject to, among other things, completion of the UNC System's academic planning process, the appointment of a founding dean and accreditation by the Liaison Committee on Medical Education, a national accrediting body, which is expected to be a multi-year process. The costs of planning, constructing, accrediting and operating any school of medicine are expected to be significant, and no assurance can be given that the proposed school will be approved, accredited or opened, that it will open or what effect the proposed school will have on the University's finances or operations.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The University paid 100% of its annual required contributions to pension plans and other post-employment benefit plans administered by the State or the Board of Governors of the State through June 30, 2026. See Notes 14 and 15 in the University's June 30, 2025, audited financial statements in Appendix B and the June 30, 2026 unaudited financial statements in Appendix C for a full discussion of the pension plans and other post-employment benefit plans in which University employees participate.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) ACTIVITIES

Sustainability Plan — As North Carolina's coastal university, UNCW integrates environmental stewardship, social responsibility, and economic vitality into its academic, operational, and community engagement activities. Guided by its Sustainability Action Plan, the University works to reduce environmental impacts, conserve resources, enhance community well-being, and create experiential learning opportunities for students. These efforts support the strategic plan's goals of student success, community partnership, innovative research, and responsible stewardship of University resources, and they span waste reduction, sustainable transportation, environmental education, and campus operations.

UNCW's commitment has earned national recognition. In 2024, the University received a Silver rating from the Association for the Advancement of Sustainability in Higher Education (AASHE) Sustainability Tracking, Assessment and Rating System (STARS®), and it was featured in AASHE's most recent Sustainable Campus Index for its reusable to-go container program in campus dining, which reduces single-use packaging waste. UNCW is also included in The Princeton Review's Guide to Green Colleges and is recognized as a Tree Campus Higher Education institution by the Arbor Day Foundation. Over the years, the University has also been designated a Bicycle Friendly University, earned Green Restaurant Association certification for its dining facilities, and been recognized by the U.S. Department of Education for environmental and sustainability achievements. For further information, access the university's website for sustainability: https://uncw.edu/sustainability.

Emergency Operations Planning — UNCW's Office of Environmental Health and Safety is responsible for the All-Hazards Emergency Operations Plan (EOP). This plan is designed to be an all-hazards disaster response and emergency management plan. The EOP complies with FEMA guidelines for Higher Education and includes planning, mitigation, response and recovery actions. The EOP priorities are (1) life safety, property protection, infrastructure integrity and environmental protection during an emergency; (2) coordination with University departments to write, maintain, test and exercise the All-Hazards Plans; (3) cooperation, integration and mutual aid with local, state and federal planning, response and public safety agencies and their All Hazards Plan. The EOP includes a hazard-specific annex to provide operational guidance in preparation for and recovering from the impacts of tropical weather events. Procedures are in place for strategic direction by our Crisis Decision Team and implementation by our Emergency Planning Group. Additional efforts are focused on continuity of operations planning across the University. UNCW regularly reviews and refines its EOPs to incorporate best practices, lessons learned and new strategies to mitigate and recover from disasters and emergencies of any size. Further information can be found at https://uncw.edu/ehs/.

Affordability — Article IX, Section 9 of the North Carolina State Constitution requires that "The General Assembly shall provide that the benefits of The University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense." That constitutional mandate encourages a working compact among the State's elected officials, taxpayers, and the UNC System to deliver the University's multifaceted mission at the highest levels of quality in a cost-effective manner without regard to a student's ability to pay. Beginning in fall 2016, UNC System students can lock in a fixed tuition rate for four years of continuous enrollment. This guaranteed tuition policy offers predictability for students and families, and it provides an incentive for on-time graduation. Across the UNC System, financial aid is critical to making the institutions affordable for any student who earns admission.

Equity — In 2024 the UNC System replaced its policy on diversity and inclusion to reaffirm its commitment to nondiscrimination, equality of opportunity in education and employment, institutional neutrality, academic freedom, freedom of expression, and student success. UNCW supports this policy and ensures that it does not endorse specific political or social viewpoints and maintains a neutral stance to foster an inclusive and supportive environment for all faculty, students, and staff.

Strategic Plan — The University's strategic plan, Soar Higher, was launched in 2023–24 and is designed to guide the University's investment in its people, programs and campus over the next decade. Soar Higher is organized around four strategic pillars: Unparalleled Opportunities, National Prominence, Community Commitment and World-Class Operations and Infrastructure. The pillars provide a framework for aligning priorities, resources and outcomes in support of student success and long-term institutional strength. Soar Higher is a living document, and UNCW expects it to continue to evolve as new initiatives take shape. UNCW reports its progress on each pillar through published metrics. The University's Campus Master Plan, approved by the Board of Trustees in August 2024, supports the strategic plan by identifying the facilities and infrastructure projects intended to implement it.

APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2025

University of North Carolina Wilmington

Wilmington, 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, University of North Carolina Wilmington
Dr. Aswani K. Volety, Chancellor

Situated in the coastal region, UNC Wilmington is an important piece of North Carolina's higher education landscape. With reported revenues of $610 million and expenses of $516 million, 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 Wilmington'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.

Having a clean audit shows UNC Wilmington is committed to responsible financial management. It also builds trust and support between the public, the General Assembly, and the University. UNC Wilmington staff were very helpful as we examined the University's finances, and we're thankful for their assistance and cooperation.

Respectfully submitted,

Dave Boliek
State Auditor

REPORT SUMMARY

University of North Carolina Wilmington Financial Statement Audit

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

Quick Highlights

Revenues: $610 Million

Expenses: $516 Million

Audit Results

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

Audit Purpose & Importance

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

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

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

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

Reports

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

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

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

[1] North Carolina General Statute 116-30.8

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



Independent Auditor's Report

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

Independent Auditor's Report

Board of Trustees
University of North Carolina Wilmington
Wilmington, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the University of North Carolina Wilmington (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, 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, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the University of North Carolina Wilmington, 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.

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 Wilmington 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 30, 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 30, 2025



Management's Discussion and Analysis

Financial Analysis

The University of North Carolina Wilmington (University or UNCW) provides the following Management's Discussion and Analysis (MD&A) as an overview of the proprietary fund financial activities for the fiscal year ended June 30, 2025. The MD&A identifies significant transactions that have fiscal impact and highlights favorable and unfavorable trends. Comparative data for the previous year is presented to provide a better understanding of the financial information.

Using the Financial Statements

The University's financial report includes three proprietary fund financial statements that depict the financial activity and fiscal condition of the University for the current year and two fiduciary fund financial statements. These financial statements include: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. The proprietary fund financial statements account for the University's primary activities. The fiduciary fund financial statements account for the University's fiduciary activities which are considered custodial funds. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and using the accrual basis of accounting. This method of accounting requires that revenues and assets be recognized when the service is provided. Expenses and liabilities are recognized when others provide services, regardless of when cash is exchanged.

The Statement of Net Position includes all the University's proprietary fund assets, deferred outflows and inflows, liabilities, and net position. The University's proprietary fund net position (the monetary difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources) is one indicator of the University's financial viability. Over time, changes in the proprietary fund net position provide information on the improvement or erosion of the University's financial condition when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's proprietary fund revenues earned and expenses incurred during the fiscal year. Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 classifies state appropriations and contributions as nonoperating revenues. With state appropriations and contributions being classified as nonoperating revenues, most public institutions will report an operating deficit.

A key factor to consider when evaluating the financial viability of the University is the ability to meet financial obligations as they mature. The Statement of Cash Flows presents proprietary fund information that allows the reader to evaluate the University's ability to meet its financial obligations on a current basis.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position present the University's fiduciary fund assets, liabilities, net position, additions, and deductions related to resources held by the University in a custodial capacity for the four related parties described in Note 18.

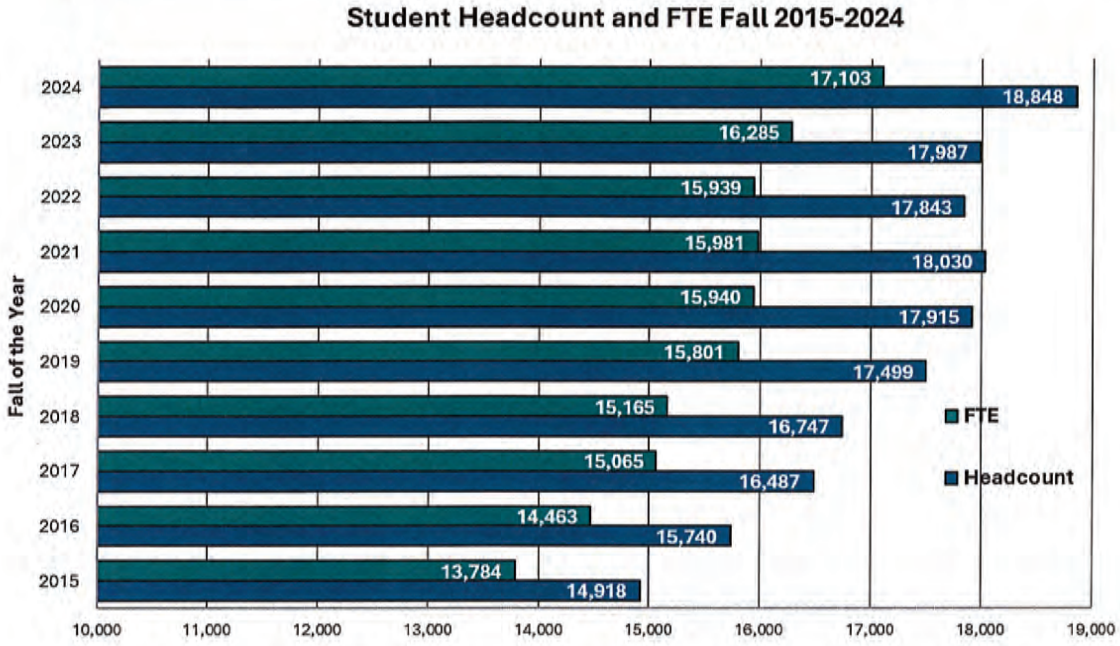
Financial Highlights

As of July 1, 2025, a change in the accounting principle resulting from *GASB Statement No. 101, Compensated Absences*, affected the University's reporting treatment of compensated absences. The change in accounting policy for compensated absences can be seen in Note 1, significant accounting policies. This change in accounting policy required a beginning balance restatement for the fiscal year 2025. Ending balances for fiscal year 2024 presented inside the Management's Discussion and Analysis section do not show the accounting impact of these restated balances. Within the Notes to the Financial Statements, see Note 9 for the detailed breakdown of long-term liabilities and Note 21 for information on the restatement.

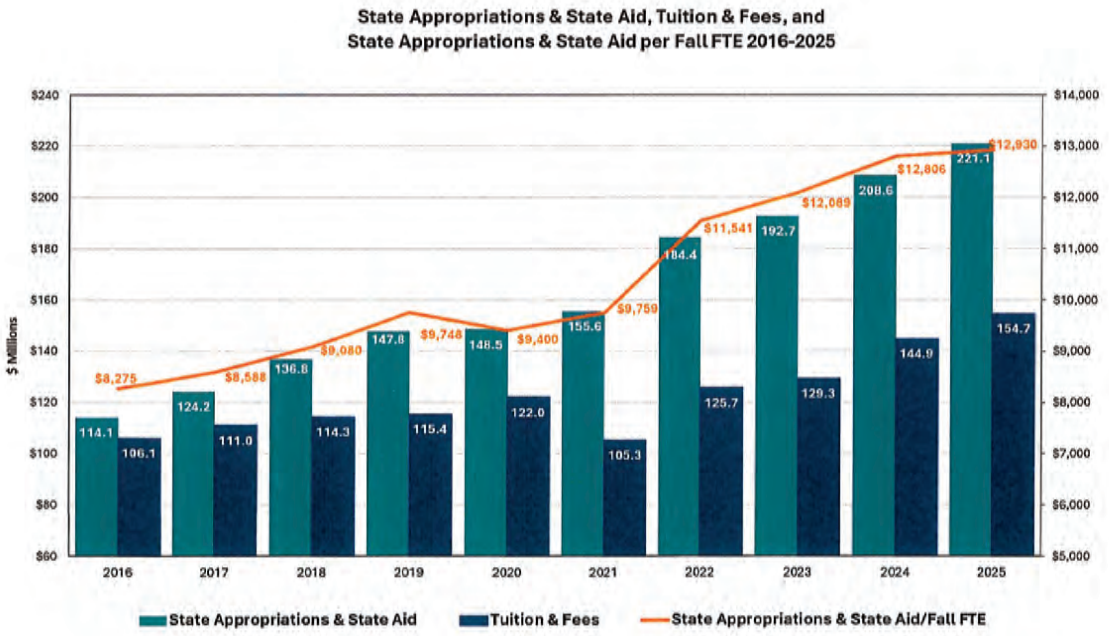
State appropriations increased $12.6 million when compared to fiscal year 2024 due to the increase of $1.0 million in recurring enrollment growth allocation, the increase of $9.2 million in other recurring budget adjustments, and the net increase of $2.4 million in non-recurring budget adjustments. The increase in other recurring budget adjustments includes $5.4 million in legislative increases, $1.2 million in health plan allocation, $2.1 million in building reserves, and $0.5 million in various other recurring budget adjustments.

In the fiscal year 2025, UNCW completed multiple construction projects, totaling $79.0 million. The completed projects consisted of $58.9 million for the Randall Library Renovation and Expansion project, $10.0 million for the Alderman and King Hall Renovation projects, $4.5 million for the Brooks Baseball Field Renovation project, and $5.6 million for various smaller projects.

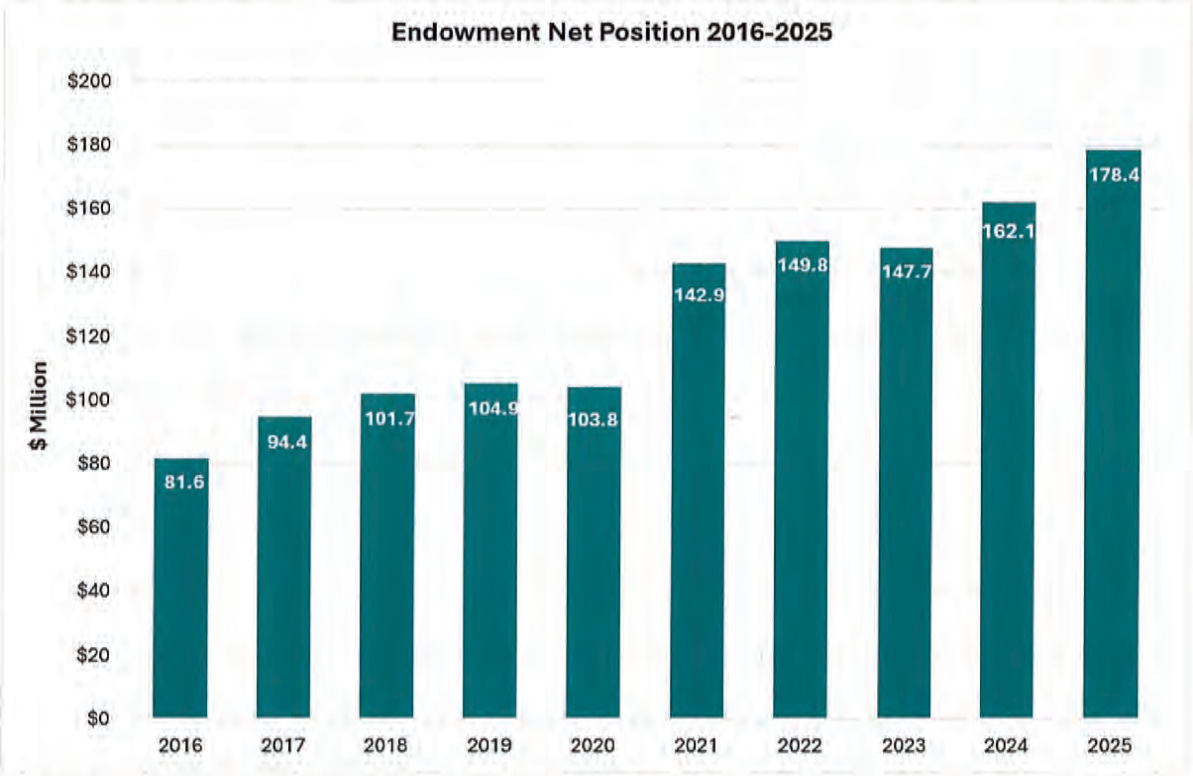
The University operates with a fixed tuition program for undergraduate resident students. The program is in its eighth year and is forecasted to continue for ten years offering no increase in tuition to undergraduate resident students who are continuously enrolled for four years. For fiscal year 2025, the University increased the annual resident graduate tuition $299, non-resident undergraduate tuition $1,207, non-resident graduate tuition $1,209, and increased mandatory fees $38.06.



UNCW's fall 2024 headcount of 18,848 increased by 4.8% relative to the fall of 2023, which was driven by an increase in undergraduate enrollment of 760 students and an increase in graduate enrollment of 101 students.

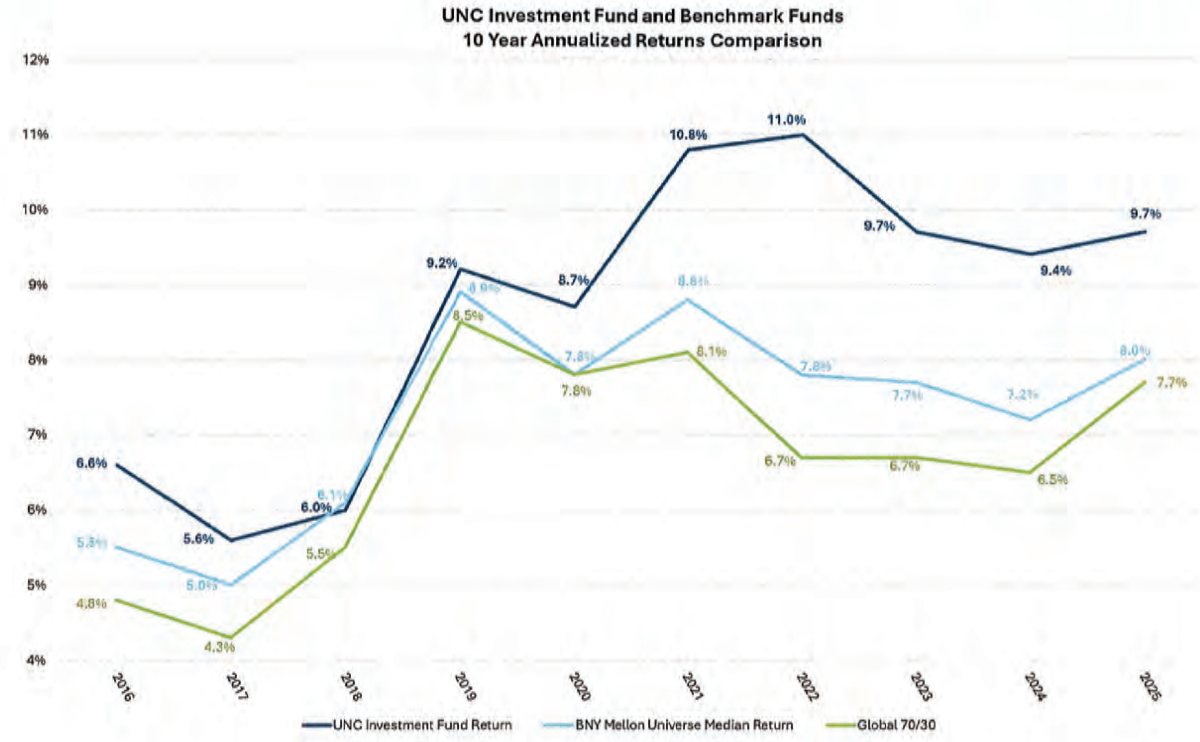


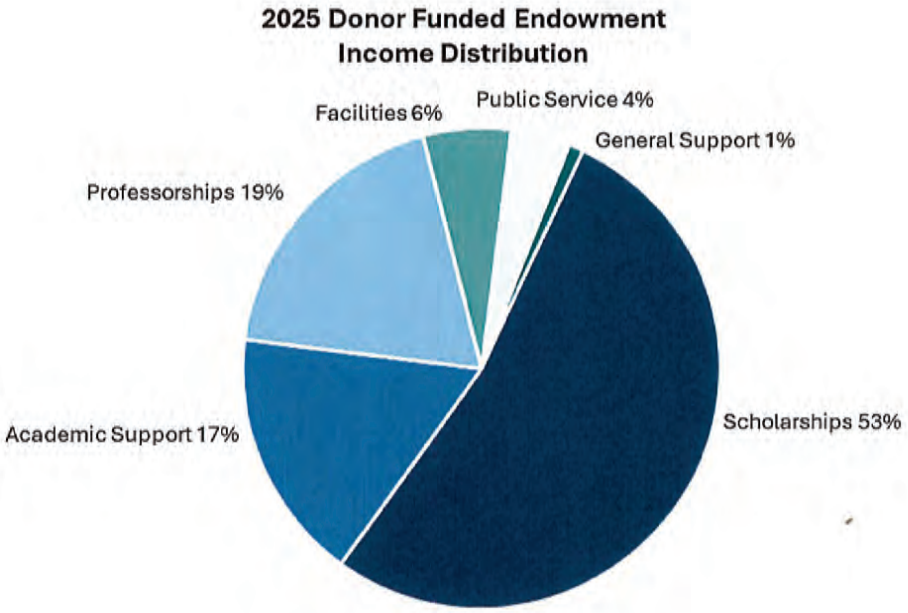
A $12.6 million net increase in state appropriations led to state appropriations and state aid per fall student full-time-equivalent (FTE) to increase to $12,930 in fiscal year 2025. Student tuition and fees revenues increased 6.7% as the result of an increase in enrollment and changes in tuition and fees.



The net position of the endowments increased from $162.1 million to $178.4 million over the twelve months ending June 30, 2025. New contributions/additions of $5.7 million were made to the endowment, and the UNC Investment Fund (UNCIF) earned $18.2 million in investment earnings during fiscal year 2025. Accumulated and reinvested long-term investment reserves funded the annual withdrawals for spending distributions and administrative fees in the amount of $7.6 million. In fiscal year 2025, the UNCIF returned 11.6%, slightly lower than fiscal year 2024's 12.6% annual return.

The UNCIF's ten-year annualized return to June 30, 2025, of 9.7% easily exceeds its Global 70/30 benchmark and its BNY Endowment and Foundation Funds peer benchmark of 7.7% and 8.0%, respectively. Over the last ten years, each of the UNCIF's asset classes has positively contributed to performance. Each asset class has also exceeded its benchmark apart from long equity which trailed its benchmark, returning 8.1% versus MSCI ACWI's 10.0% ten-year annualized return. The Fund's strongest performance was generated by the private equity asset class, with a ten-year annualized return of 18.1%. With a primary focus on long-term time horizons to support spending in perpetuity, it is noteworthy that the UNCIF's ten-year annualized returns for the past ten years have exceeded that of the Global 70/30 Portfolio and the median returns of the BNY Mellon Endowment and Foundation Funds universe.





Consistent with prior years, the Endowment primarily supported student scholarships (53%), professorships (19%), and academics (17%).

Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), deferred inflows, and net position (total assets plus deferred outflows minus total liabilities and deferred inflows) of the University's proprietary funds. This statement provides a fiscal snapshot of the University's financial position as of June 30, 2025. This statement includes information on assets available for continuing operations and amounts due to vendors, investors, and lending institutions.

Condensed Statement of Net Position
Proprietary Fund
June 30, as Indicated

	2025	2024	Change
Assets			
Current Assets, Net	$ 304,779,096	$ 217,185,784	$ 87,593,312
Capital Assets, Net	867,463,576	859,137,491	8,326,085
Other Noncurrent Assets	240,345,647	240,878,639	(532,992)
Total Assets	1,412,588,319	1,317,201,914	95,386,405
Total Deferred Outflows of Resources	143,776,731	114,754,063	29,022,668
Liabilities			
Current Liabilities	44,926,923	41,571,878	3,355,045
Long-Term Liabilities, Net	568,415,762	517,713,349	50,702,413
Other Noncurrent Liabilities	4,716,817	4,295,865	420,952
Total Liabilities	618,059,502	563,581,092	54,478,410
Total Deferred Inflows of Resources	160,237,957	186,564,102	(26,326,145)
Net Position			
Net Investment in Capital Assets	548,973,102	524,701,314	24,271,788
Restricted - Nonexpendable	92,552,552	88,133,951	4,418,601
Restricted - Expendable	184,620,782	138,501,434	46,119,348
Unrestricted	(48,078,845)	(69,525,916)	21,447,071
Total Net Position	$ 778,067,591	$ 681,810,783	$ 96,256,808

On June 30, 2025, total University assets were $1.4 billion. The largest asset categories were the University's cash and cash equivalents of $334.9 million, investments of $169.3 million, capital assets, net of $867.4 million, and receivables, net of $40.0 million.

Assets

Current assets increased $87.6 million primarily due to increases of $88.0 million and $8.1 million in pooled cash with the State Treasurer and receivables, net, respectively, offset by the decreases of $8.1 million in due from primary government. The increase in receivables was due to the increase of $3.1 million and $5.0 million in receivables related to grants and pledges receivables, respectively. The University received the outstanding Hurricane Florence payment in fiscal year 2024 resulting in the decrease in due from primary government.

The increase in pooled cash was primarily due to the $50.1 million liquidation of the unrestricted institutional trust funds' investment, the increase of $5.2 million in current unearned revenue, the

increase of $12.6 million in state appropriations as discussed in the Financial Highlights section above, the increase of $9.8 million in unspent tuition and fees, and the increase of $4.1 million in unspent sales and services as discussed in the Operating Revenues section below. The increase in current unearned revenue was primarily due to cash advance provided for the capital project under the Healthcare Workforce Development grant sponsored by New Hanover Community Endowment, receipts for 2025's second summer session, and unearned funds provided by other grants.

Capital assets, net increased $8.3 million during fiscal year 2025. This was primarily due to the net increase of $62.6 million in buildings and right-to-used leased buildings, the net increase of $5.2 million in general infrastructure, offset by the net decrease of $55.0 million in construction in progress, the net decrease of $1.5 million in machinery and equipment and leased machinery and equipment, and the net decrease of $2.9 million in right-to-use subscription assets. The decrease in construction in progress was due to the completion of multiple major capital projects in fiscal year 2025 while having relatively fewer construction in progress projects at the end of the fiscal year. See further discussion regarding completed capital projects in the Financial Highlights section above and the Capital Assets section further below. Also, see additional information regarding capital assets in Note 6.

Deferred Outflows of Resources

For fiscal year 2025, total deferred outflows of resources increased $29.0 million. Deferred outflows fluctuate yearly due to changes in pension and other postemployment benefits (OPEB) liability/asset assumptions and actuarial inputs, such as differences between projected and actual investment earnings and changes in the University's proportion of the liabilities/assets. Deferred outflows to pensions decreased $10.4 million and deferred outflows to OPEB increased $39.8 million due mainly to various changes in actuarial assumptions and changes in the University's proportionate share of the liability and contributions during the year. The increase in total deferred outflows is also offset by the decrease of $0.4 million in deferred loss on refunding related to long-term debt. See Notes 14 and 15 for additional information regarding pension and OPEB.

Liabilities

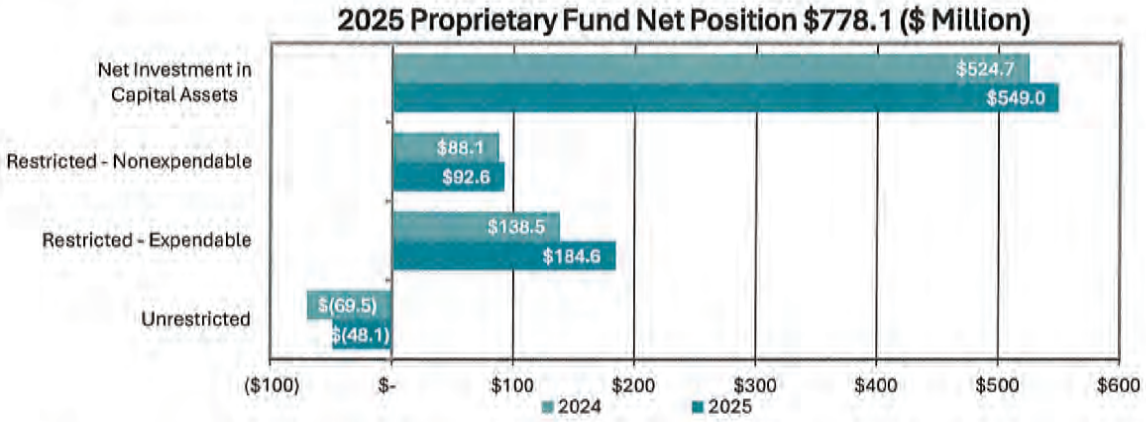
Current liabilities increased by $3.4 million primarily due to the increase of $5.2 million in current unearned revenue offset by the decrease of $2.8 million in accounts payable and accrued liabilities. The decrease in accounts payable and accrued liabilities was primarily due to the decrease in accounts payable related capital projects aligning with the decrease in construction in progress. See the Assets section above for additional discussion regarding current unearned revenue and construction in progress.

Long-term liabilities increased by $50.7 million due to the increase of $67.0 million in net OPEB liability and the increase of $2.4 million in leases liability, offset by the decrease of $4.1 million in net pension liability, the decrease of $11.5 million in long-term debt including bonds and similar debt payables and notes from direct borrowing, and the decrease of $3.1 million in other long-term liabilities. See Note 9 for additional information regarding the long-term liabilities. See sections on Deferred Outflows and Inflows of Resources and Notes 14 and 15 for more details related to pensions and OPEB fluctuations.

Deferred Inflows of Resources

Total deferred inflows of resources decreased $26.3 million during fiscal year 2025. Deferred inflows also fluctuate yearly due to changes in pension and OPEB liability/asset assumptions and actuarial inputs, such as differences between projected and actual investment earnings and changes in the University's proportion of the liabilities/assets. Deferred inflows for OPEB decreased $23.3 million due to changes of assumptions. The decrease in total deferred inflows of resources is also attributable to amortization causing the decreases of $2.4 million in deferred inflows under public-private partnerships. See Notes 14 and 15 for additional information regarding pension and OPEB. See Note 7 for additional information regarding public-private partnerships.

Net Position



The $24.3 million increase in net investment in capital assets was due primarily to the $8.3 million net increase in capital assets, the decrease of $2.4 million in deferred inflows under public-private partnerships, the decrease of $9.7 million in long-term debts related to capital assets, and the decrease of $3.8 million in accounts payable related to capital assets and retainage. See Notes 6 and 9 for additional information regarding capital assets and long-term debts.

Net position, restricted-nonexpendable increased $4.4 million as a result of the new contributions/additions, net investment returns, and withdrawals for spending distributions and administrative fees discussed in the endowment portion of the Financial Highlights section above.

Net position, restricted-expendable increased $46.1 million in fiscal year 2025 due to the increase of $38.1 million in expendable endowments and the increase of $8.0 million in capital projects. See additional information regarding the increase in expendable endowments in the endowment portion of the Financial Highlights section above. Capital projects increase was due to the increase in funding for multiple fiscal year 2026 capital projects.

Unrestricted net position improved $21.4 million primarily due to the increases of $4.1 million and $9.8 million in unspent sales and services and tuition and fee revenues, respectively, as discussed in the Assets section above and the restatement of $2.6 million as discussed in Note 21.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position includes the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, both operating and nonoperating, as well as any other revenues, expenses, gains, and losses received or expended by the University's proprietary funds.

Operating revenues are received for providing goods and services to the University's various customers and constituencies. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to conduct the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided; examples include state appropriations, noncapital contributions, and investment income. Nonoperating expenses include interest and fees on debt, loss on sale of assets, and other expenses not involved in the normal operations of the University.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For Year Ended June 30, as Indicated

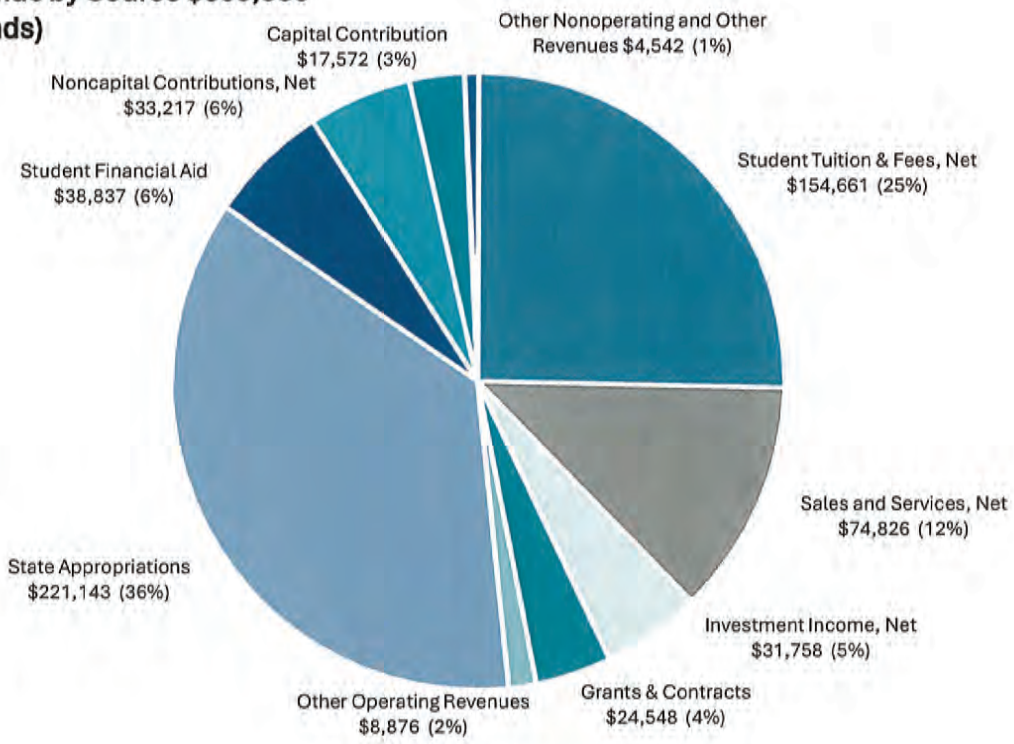
	2025	2024	Change
Operating Revenues			
Student Tuition and Fees, Net	$ 154,660,513	$ 144,888,508	$ 9,772,005
Sales and Services, Net	74,825,685	70,343,530	4,482,155
Grants and Contracts	24,547,609	20,987,670	3,559,939
Other Operating Revenues	8,875,631	7,965,961	909,670
Total Operating Revenues	262,909,438	244,185,669	18,723,769
Operating Expenses			
Salaries and Benefits	305,875,793	277,309,598	28,566,195
Supplies and Services	121,880,488	116,645,583	5,234,905
Scholarships and Fellowships	40,833,472	28,477,013	12,356,459
Utilities	9,847,953	9,544,402	303,551
Depreciation/Amortization	30,705,852	28,060,337	2,645,515
Total Operating Expenses	509,143,558	460,036,933	49,106,625
Operating Loss	(246,234,120)	(215,851,264)	(30,382,856)
Nonoperating Revenues (Expenses)			
State Appropriations	221,143,329	208,553,275	12,590,054
Student Financial Aid and Noncapital Contributions, Net	72,053,808	36,252,942	35,800,866
Federal Aid - COVID-19	98,787	632,739	(533,952)
Investment Income, Net	31,757,955	28,443,108	3,314,847
Interest and Fees on Debt	(6,851,984)	(7,206,036)	354,052
Hurricane Florence Disaster Costs	-	(1,148,500)	1,148,500
Hurricane Florence Insurance Recoveries	-	3,063,980	(3,063,980)
Other Nonoperating Expenses	(346,035)	(738,104)	392,069
Other Revenues			
Capital Contributions	17,571,605	37,488,120	(19,916,515)
Additions to Endowments	4,444,960	2,249,929	2,195,031
Total Net Nonoperating and Other Revenues	339,872,425	307,591,453	32,280,972
Increase in Net Position	93,638,305	91,740,189	1,898,116
Net Position - Beginning of Year	684,429,286	590,070,594	94,358,692
Net Position and Net Position Prior to Restatement	778,067,591	681,810,783	96,256,808
Restatement to adjust the University's Compensated Absences Pursuant to GASB Statement No. 101	-	2,618,503	(2,618,503)
Net Position and Net Position as Restated	$ 778,067,591	$ 684,429,286	$ 93,638,305
Reconciliation of Change in Net Position			
Total Revenues	$ 609,979,882	$ 560,869,762	$ 49,110,120
Less: Total Expenses	516,341,577	469,129,573	47,212,004
Increase in Net Position	$ 93,638,305	$ 91,740,189	$ 1,898,116

Overall, net position increased $93.6 million during the year ended June 30, 2025, which was an increase of $1.9 million when compared with fiscal year 2024 overall increase of $91.7 million. This was due to the increase of $32.3 million in total net nonoperating and other revenue, offset by the increase of $30.4 million in operating loss.

Operating Revenues

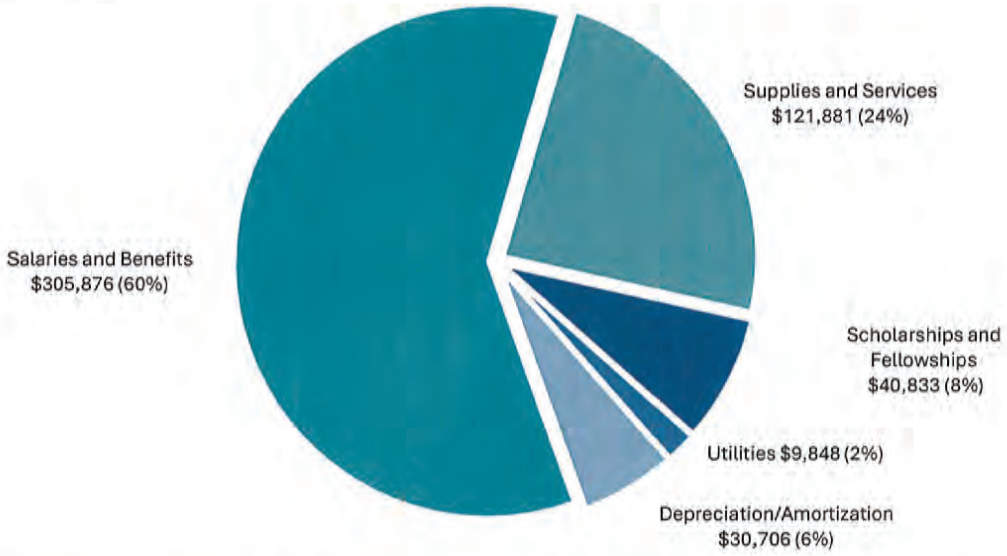
The University recorded its largest student tuition and fees revenue of $154.7 million in the last five years, demonstrating the University's growth in public higher education. Tuition and fees increased $9.8 million including the increase of $3.0 million in nonresident tuition, the increase of $4.5 million in resident tuition, and the increase of $3.6 million in mandatory and nonmandatory fees, offset by the increase of $1.3 million in tuition and fee discount. The increase in tuition and fees was primarily due to the increase in tuition and fee rates and enrollment. See additional information in the Financial Highlights section above. The $4.5 million increase in sales and services was due primarily to the continued increase in enrollment as the University's headcount was nearly 19,000 students. Specifically, food service contract revenue, housing and residential, and parking increased $1.3 million, $2.7 million, and $0.5 million, respectively. The University experienced grants and contracts increase of $3.6 million primarily due to the state and local grant awarded from the University of North Carolina System's Health Care Workforce Expansion initiative to support the University's nursing program.

2025 Revenue by Source $609,980
($ Thousands)



Operating Expenses

2025 Operating Expense by Nature $509,144
($ Thousands)

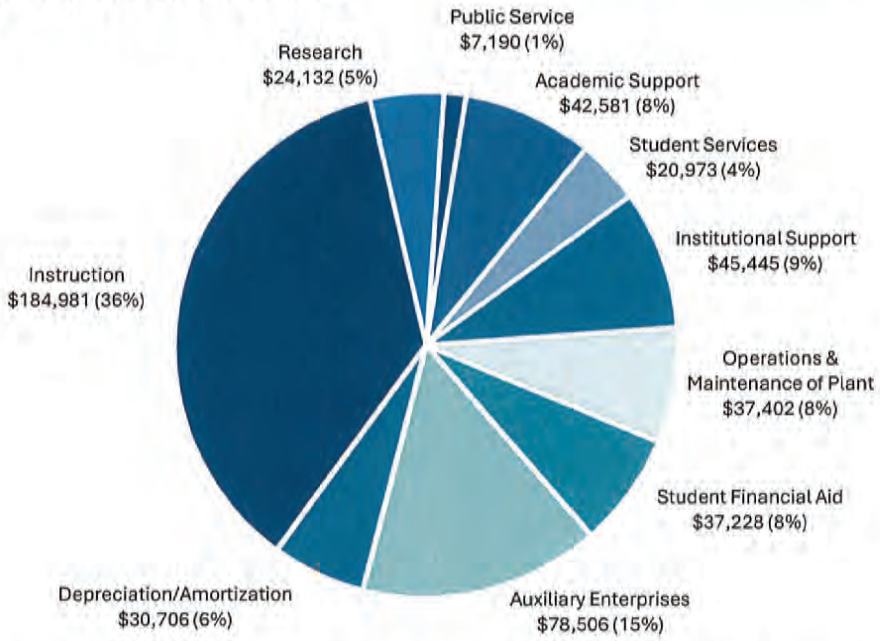


Salaries and benefits increased $28.6 million due to the impact of GASB 68 and GASB 75 related pension and OPEB expenses totaling $11.2 million in fiscal year 2025, the increase of $10.6 million in regular salaries, the increase of $2.8 million in permanent teaching faculty, and the increase of $4.0 million in benefits. The increase in regular salaries was due to the 3% legislative increases, the 1% discretionary increase, and other employment fluctuations.

Supplies and services increased $5.2 million due in large to the increase of $2.1 million in repairs and maintenance expenses related to buildings and other structures, the increase of $1.3 million in noncapitalized furniture for classroom and library, and the increase of $1.8 million for noncapitalized computer and printer equipment.

Scholarships and fellowships increased $12.4 million in fiscal year 2025 mainly due to an increase in enrollment which resulted in the increases of $6.5 million in federal Pell grants, $1.8 million in Academic Enhanced scholarships, $2.6 million in various state scholarships, and $1.5 million in other smaller scholarships.

2025 Operating Expense by Function $509,144
($ Thousands)



Instruction expense of $185.0 million remains the largest expense by function at 36% of operating expenses.

Nonoperating Revenues and Expenses

In fiscal year 2025, the total nonoperating revenues net of nonoperating expenses increased by $50.0 million primarily due to the increase of $12.6 million in state appropriations, the increase of $26.9 million in noncapital contributions, net, and the increase of $8.9 million in student financial aid. See additional information regarding state appropriations in the Financial Highlights section above. The increase in noncapital contributions was a result of historic level pledges received in fiscal year 2025, which are significantly more compared to fiscal year 2024. The increase in student financial aid was due mainly to an increase in enrollment which resulted in the increase of $6.5 million in federal Pell grant and the increase of $2.4 million in state and other student financial aid.

Other Revenues

Capital contributions decreased $19.9 million in fiscal year 2025 due to the decrease in funding for the Randall Library Renovation and Expansion project, which was completed in August of the fall 2024 semester.

Capital Assets and Debt Administration

Capital Assets

The University had $867.5 million invested in capital assets at June 30, 2025, as reported in the table below, an increase of $8.3 million from 2024.

Capital Assets Net of Depreciation
June 30, as Indicated

	2025	2024	Change
Land and Permanent Easements	$ 15,951,353	$ 15,951,353	$ -
Art, Literature, and Artifacts	2,036,789	2,036,789	-
Construction In Progress	12,197,737	67,223,387	(55,025,650)
Buildings, Net	729,253,219	670,134,180	59,119,039
Machinery and Equipment, Net	34,184,882	35,765,922	(1,581,040)
General Infrastructure, Net	61,784,740	56,624,108	5,160,632
RTU Leased Buildings, Net	4,375,714	898,412	3,477,302
RTU Leased Machinery and Equipment, Net	450,823	368,003	82,820
RTU Subscription Assets, Net	7,228,319	10,135,337	(2,907,018)
Total Capital Assets	$ 867,463,576	$ 859,137,491	$ 8,326,085

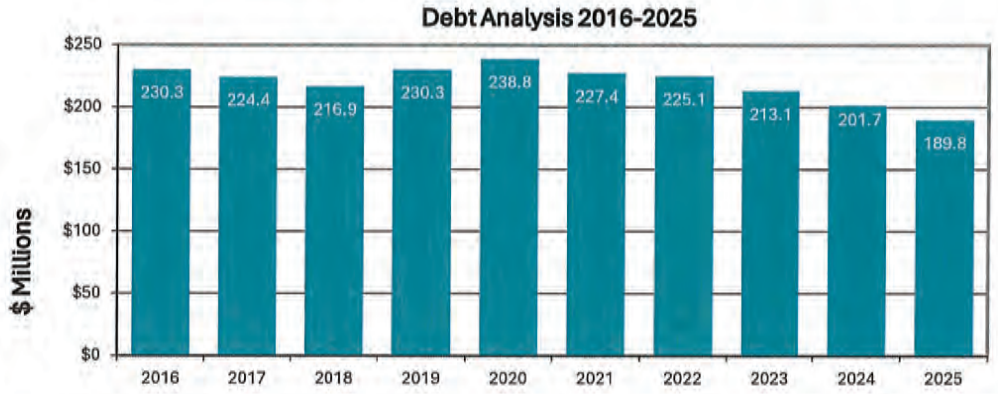
During fiscal year 2025, construction in progress decreased $55.0 million due to the completion of multiple major capital projects totaling $79.0 million, offset by capitalizable costs of $24.0 million of ongoing and completed projects. See below for completed projects.

Buildings, net increased $59.1 million due to the completion of Randall Library Renovation and Expansion project $58.9 million, Alderman and King Hall renovation $10.0 million, and other completed projects $2.7 million, offset by the depreciation associated to building assets $12.5 million.

General infrastructure, net increased $5.2 million due to the completion of Brooks Baseball Field renovation $4.5 million and other smaller general infrastructure projects $2.9 million, offset by associated general infrastructure depreciation of $2.2 million.

Debt

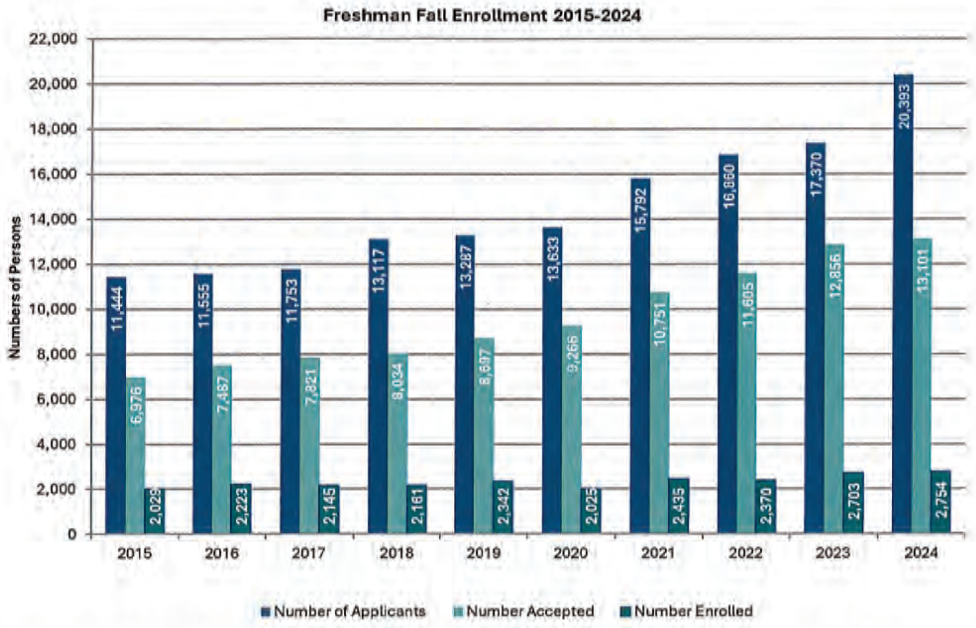
As of June 30, 2025, the University's $189.8 million in long-term debt included outstanding revenue bonds payable, limited obligation bonds, and bonds from direct placements of $183.3 million, and notes from direct borrowings of $6.5 million.



For additional information on capital assets and debt administration, see Notes 6, 9, and 10 of the financial statements.

Economic Forecast

The University of North Carolina Wilmington, the State's coastal university, integrates teaching and mentoring with research and service. UNCW's commitment to student engagement, creative inquiry, critical thinking, thoughtful expression, and civic responsibility defines the student experience. Graduates of our undergraduate, master's and doctoral programs are prepared to serve the needs of local, state, and global communities. In the fall of 2024, the number of freshman applications climbed to 20,393 and freshman enrollment increased to 2,756 from 2,703. Overall enrollment increased to 18,848. Preliminary data shows fall 2025 freshman applications of 22,279, an increase of 9.2% and freshman enrollment of 3,036 an increase of 10.2%. Preliminary data for fall 2025 also shows total enrollment increasing to 19,895.



For fiscal year 2026, UNCW requested a recurring budget adjustment of $5.2 million for an enrollment growth allocation and a nonrecurring budget adjustment of $1.0 million for performance funding to further support growth and operations of the University.

UNCW participates in the fixed tuition program established by North Carolina General Statute 116-143.9, which stipulates that tuition remain fixed for four years for continuously enrolled undergraduate resident students. Effective fall 2025, UNCW increased tuition $317 for resident graduate students, $1,282 for non-resident graduate students, and $1,279 for non-resident undergraduate students representing a 6% increase. The additional revenue will support new and expanding academic programs, transition to new salary ranges, library operating needs, Disability Resource Center staffing, Center for Teaching Excellence, University Learning Center staffing, and University Police department salary. UNCW also increased the Student Activities fee $15. This revenue will support inflationary costs, and mandatory salary increases for Campus Recreation and Commencement.

UNCW is making notable progress toward accomplishing the objectives of the Strategic Plan: Soar High, Soar Far, Soar Together, a 10-year blueprint to guide the university's future. This comprehensive plan conveys the goals and aspirations of UNCW students, faculty, staff, alumni, donors, and community partners. Updates can be found at http://uncw.edu/about/leadership/strategic-plan/updates.

Contacting the University's Financial Management

This financial report is designed to provide our students, citizens, investors, and creditors with a general overview of the University's finances and demonstrate accountability of all funds. Contact the Controller's Office at (910) 962-3144 for additional financial information or to access the Controller's Office web page at http://www.uncw.edu/controller/ financial_reports.html.



Financial Statements

University of North Carolina Wilmington
Statement of Net Position
Proprietary Fund
June 30, 2025

Exhibit A-1
Page 1 of 2

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 236,217,852
Restricted Cash and Cash Equivalents	46,026,985
Receivables, Net (Note 5)	21,582,905
Inventories	598,184
Notes Receivable, Net (Note 5)	215,568
Leases Receivable (Note 10)	137,602
Total Current Assets	304,779,096
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	52,631,371
Receivables, Net (Note 5)	17,082,325
Endowment Investments	169,300,510
Notes Receivable, Net (Note 5)	729,733
Leases Receivable (Note 10)	292,269
Net Other Postemployment Benefits Asset	309,439
Capital Assets - Nondepreciable (Note 6)	30,185,879
Capital Assets - Depreciable, Net (Note 6)	837,277,697
Total Noncurrent Assets	1,107,809,223
Total Assets	1,412,588,319
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	4,598,867
Deferred Outflows Related to Pensions	37,246,733
Deferred Outflows Related to Other Postemployment Benefits (Note 15)	101,931,131
Total Deferred Outflows of Resources	143,776,731
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 8)	6,595,253
Deposits Payable	47,902
Funds Held for Others	195,791
Unearned Revenue	20,104,864
Interest Payable	1,093,599
Long-Term Liabilities - Current Portion (Note 9)	16,889,514
Total Current Liabilities	44,926,923
Noncurrent Liabilities:	
Funds Held for Others	1,051,755
Unearned Revenue	3,442,550
U.S. Government Grants Refundable	222,512
Long-Term Liabilities, Net (Note 9)	568,415,762
Total Noncurrent Liabilities	573,132,579
Total Liabilities	618,059,502

University of North Carolina Wilmington
Statement of Net Position
Proprietary Fund
June 30, 2025

DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Under Public-Private Partnerships (Note 7)	118,572,218
Deferred Gain on Refunding	473,293
Deferred Inflows Related to Pensions	212,548
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	40,437,217
Deferred Inflows for Leases	542,681
Total Deferred Inflows of Resources	160,237,957
NET POSITION	
Net Investment in Capital Assets	548,973,102
Restricted:	
Nonexpendable:	
True Endowments	92,131,331
Student Loans and Other	421,221
Total Restricted-Nonexpendable Net Position	92,552,552
Expendable:	
Scholarships, Research, Instruction, and Other	119,419,037
Student Loans	1,111,054
Capital Projects	64,090,691
Total Restricted-Expendable Net Position	184,620,782
Unrestricted	(48,078,845)
Total Net Position	$ 778,067,591

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

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

Exhibit A-2

OPERATING REVENUES		
Student Tuition and Fees, Net (Note 12)	$	154,660,513
Federal Grants and Contracts		11,378,888
State and Local Grants and Contracts		8,635,822
Nongovernmental Grants and Contracts		4,532,899
Sales and Services, Net (Note 12)		74,825,685
Interest Earnings on Loans		8,346
Other Operating Revenues		8,867,285
Total Operating Revenues		262,909,438
OPERATING EXPENSES		
Salaries and Benefits		305,875,793
Supplies and Services		121,880,488
Scholarships and Fellowships		40,833,472
Utilities		9,847,953
Depreciation/Amortization		30,705,852
Total Operating Expenses		509,143,558
Operating Loss		(246,234,120)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations		221,143,329
Student Financial Aid		38,836,776
Federal Aid - COVID-19		98,787
Noncapital Contributions, Net (Note 12)		33,217,032
Investment Income (Net of Investment Expense of $413,359)		31,757,955
Interest and Fees on Debt		(6,851,984)
Other Nonoperating Expenses		(346,035)
Net Nonoperating Revenues		317,855,860
Income Before Other Revenues		71,621,740
Capital Contributions		17,571,605
Additions to Endowments		4,444,960
Total Other Revenues		22,016,565
Increase in Net Position		93,638,305
NET POSITION		
Net Position - July 1, 2024, as Restated (Note 21)		684,429,286
Net Position - June 30, 2025	$	778,067,591

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

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	256,642,813
Payments to Employees and Fringe Benefits		(295,360,246)
Payments to Vendors and Suppliers		(130,749,740)
Payments for Scholarships and Fellowships		(40,833,472)
Loans Issued		(32,165)
Collection of Loans		186,253
Interest Earned on Loans		15,115
William D. Ford Direct Lending Receipts		71,805,389
William D. Ford Direct Lending Disbursements		(71,805,389)
Related Activity Agency Receipts		50,483,806
Related Activity Agency Disbursements		(50,242,870)
Other Payments		(3,105)
Net Cash Used by Operating Activities		(209,893,611)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		221,143,329
Student Financial Aid		38,800,453
Proceeds from All-Risk Insurance		8,074,679
Federal Aid - COVID-19		98,787
Noncapital Contributions		15,129,248
Additions to Endowments		4,444,960
Cash Provided by Noncapital Financing Activities		287,691,456
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Capital Contributions		21,667,588
Proceeds from Sale of Capital Assets		162,094
Proceeds from Lease Arrangements		418,107
Acquisition and Construction of Capital Assets		(35,988,454)
Principal Paid on Capital Debt and Lease/Subscription Liabilities		(16,321,359)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities		(7,694,183)
Net Cash Used by Capital Financing and Related Financing Activities		(37,756,207)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		57,483,937
Investment Income		16,024,633
Purchase of Investments and Related Fees		(4,262,066)
Net Cash Provided by Investing Activities		69,246,504
Net Increase in Cash and Cash Equivalents		109,288,142
Cash and Cash Equivalents - July 1, 2024		225,588,066
Cash and Cash Equivalents - June 30, 2025	$	334,876,208

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(246,234,120)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation/Amortization Expense		30,705,852
Lease Income (Amortized Deferred Inflows of Resources)		(382,225)
Allowances and Write-Offs		72,693
Other Nonoperating Income		380,002
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		(5,483,110)
Inventories		17,800
Notes Receivable, Net		254,815
Net Other Postemployment Benefits Asset		(309,439)
Deferred Outflows Related to Pensions		10,425,900
Deferred Outflows Related to Other Postemployment Benefits		(39,830,238)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		868,519
Funds Held for Others		240,936
Unearned Revenue		1,429,931
Net Pension Liability		(4,105,010)
Net Other Postemployment Benefits Liability		67,093,824
Compensated Absences		966,519
Deposits Payable		4,060
Workers' Compensation Liability		23,847
Deferred Inflows Under Public-Private Partnerships		(2,402,265)
Deferred Inflows Related to Pensions		(348,429)
Deferred Inflows Related to Other Postemployment Benefits		(23,283,473)
Net Cash Used by Operating Activities	$	(209,893,611)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	7,669,447
Assets Acquired through a Gift		101,124
Change in Fair Value of Investments		15,733,323
Loss on Disposal of Capital Assets		(730,226)
Amortization of Bond Premiums		(1,012,268)
Amortization of Deferred Loss on Refunding		197,074
Increase in Arbitrage Rebate Payable		42,013
Increase in Receivables Related to Nonoperating Revenues		20,324,267
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributior		(91,278)

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

University of North Carolina Wilmington
Statement of Fiduciary Net Position
Fiduciary Fund - Custodial Funds
June 30, 2025

Exhibit B-1

	Other Funds
ASSETS	
Cash and Cash Equivalents	$ 4,655,832
Total Assets	4,655,832
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	-
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Restricted for:	
Affiliated Organizations	4,655,832
Total Fiduciary Net Position	$ 4,655,832

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

University of North Carolina Wilmington
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Custodial Funds
For the Fiscal Year Ended June 30, 2025

Exhibit B-2

	Other Funds
ADDITIONS	
Contributions:	
Affiliated Organizations	$ 4,356,126
Investment Activity:	
Investment Income	169,606
Total Additions	4,525,732
DEDUCTIONS	
Withdrawals and Distributions	3,714,765
Increase in Fiduciary Net Position	810,967
NET POSITION	
Net Position - July 1, 2024	3,844,865
Net Position - June 30, 2025	$ 4,655,832

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

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

Blended Component Units - Although legally separate, the UNCW Corporation (Corporation), the UNCW Corporation II (Corporation II), the UNCW Research Foundation (Research Foundation), and the Donald R. Watson Foundation, Inc. (Watson Foundation), component units of the University, are reported as if they were part of the University.

The Corporation was organized to enhance the University of North Carolina Wilmington's educational mission, including overseeing and assisting in the acquisition and financing of capital assets for the University. The Corporation is a public not-for-profit organization that reports its financial results under Governmental Accounting Standards Board (GASB) Statements. The Corporation is governed by a six-member board of which three are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Corporation II includes the activities of the single member entities, UNCW Corporation Real Property I, LLC (Real Property), and UNCW Corporation College Station, LLC (College Station). The Corporation II was organized to enhance the University of North Carolina Wilmington's educational mission, including constructing or managing facilities for the University. These entities acquire real property that is used solely by the University for auxiliary support, off-campus parking, or other agreed upon activities. The Corporation II is a public not-for-profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Corporation II is governed by a seven-member board of which four are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation II's sole

purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Research Foundation includes the activities of the single member entities, UNCW Corporation Research I, LLC, MARBIONC Development Group, LLC, The CREST Millennial Campus, LLC, the UNCW Center for Innovation and Entrepreneurship, LLC, and the UNCW Innovation Coalition Corporation. The Research Foundation was organized to enhance the University of North Carolina Wilmington's educational mission. These entities, through collaborative research relationships, pursue commercialization opportunities and the economic development of research discoveries, materials, and intellectual properties for the benefit of the University. The Research Foundation is a public not-for-profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Research Foundation is governed by a four-member board, all of which are delegates of the University. As the Research Foundation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Watson Foundation was organized to support charitable, religious, scientific, and educational institutions located in the State of North Carolina provided that each supported organization is tax exempt and eligible to receive charitable donations. The Watson Foundation is a public not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from that of GASB. The financial statement format of the Watson Foundation was modified to make it compatible with the University's financial statement format. The Watson Foundation is governed by a five-member board of which three are appointed by the Board of Trustees, and two are appointed by the benefactor. Because a majority of the directors of the Watson Foundation are appointed by the members of the University of North Carolina Wilmington's Board of Trustees and the Watson Foundation's primary purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

Separate financial statements for the Corporation, the Corporation II, the Research Foundation, and the Watson Foundation may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5918, or by calling 910-962-3139.

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

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

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

Fiduciary Fund - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of affiliated organizations. Custodial funds include resources held on behalf of four separately incorporated nonprofit foundations associated with the University. See Note 18 for detailed information regarding the nature of the fiduciary activities.

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, 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. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported.

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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

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

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

The University capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the $5,000 threshold are capitalized when significant. The University evaluates the effectiveness of the threshold for capitalization of machinery and equipment and determines the amounts under the threshold that are considered significant for financial statement reporting purposes to be capitalized.

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

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery and Equipment	2-50 years
General Infrastructure	10-50 years

The Randall Library Special collection is capitalized at cost or acquisition value at the date of donation. The collection is considered inexhaustible and is therefore not depreciated.

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 $20,000 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 $20,000 or greater and an estimated useful life of more than one year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Proprietary Fund

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

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

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

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income. It also

includes the net position of accrued employee benefits such as compensated absences, workers' compensation, pension plans, and other postemployment benefits.

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

Fiduciary Fund

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

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

Note 2 - Deposits and Investments

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

At June 30, 2025, the amount shown on the Statement of Net Position as cash and cash equivalents includes $334,724,143 for the proprietary fund and $4,655,832 for the fiduciary fund, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 2.1 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 $34,205. The carrying amount of the University's deposits not with the State Treasurer was $117,860, and the bank balance was $111,810. 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 did not have any bank balance that was exposed to custodial credit risk.

B. **Investments** - 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.

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

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

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

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

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

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

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

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University's formal policy is designed to reduce

interest rate risk. The policy permits investments in high quality instruments of limited duration (up to 24 months). Permitted investments are United States (U.S.) Treasury Bills, Notes, and Bonds (backed by the full faith and credit of the U.S.), Bank Certificates of Deposit (Federal Deposit Insurance Corporation Insured), U.S. Government Money Market Funds (AAA), and the State Treasurer's STIF.

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 unit value method. Under this method, the pool uses a unit basis to determine each participating fund's market value and to determine the fund's earnings. 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, the pooled investments subject to interest rate risk were all held with the UNC Investment Fund, LLC.

UNC Investment Fund, LLC - At June 30, 2025, the University's investments include $167,679,142, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

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

Non-Pooled Investments

		Investment Maturities (in Years)		
	Amount	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
Debt Mutual Funds	$ 447,534	$ -	$ 133,669	$ 313,865
Money Market Mutual Funds	7,937	7,937	-	-
Total Debt Securities	455,471	$ 7,937	$ 133,669	$ 313,865
Other Securities				
Equity Mutual Funds	1,165,897			
Total Non-Pooled Investments	$ 1,621,368			

At June 30, 2025, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	$447,534	$174,629	$90,815	$48,967	$65,751	$57,258	$10,114
Money Market Mutual Funds	7,937	7,937	-	-	-	-	-
Totals	$455,471	$182,566	$90,815	$48,967	$65,751	$57,258	$10,114

Rating Agency: Standard & Poor's

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

	Amount
Investment Type	
Debt Securities	
Debt Mutual Funds	$ 447,534
Money Market Mutual Funds	7,937
Other Securities	
UNC Investment Fund	167,679,142
Equity Mutual Funds	1,165,897
Total Investments	$ 169,300,510

Note 3 - Fair Value Measurements

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 proprietary and fiduciary fund 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				
Debt Mutual Funds	$ 447,534	$ 447,534	$ -	$ -
Money Market Mutual Funds	7,937	7,937	-	-
Total Debt Securities	455,471	455,471	-	-
Other Securities				
Equity Mutual Funds	1,165,897	1,165,897	-	-
Total Investments by Fair Value Level	1,621,368	$ 1,621,368	$ -	$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	339,379,975			
UNC Investment Fund	167,679,142			
Total Investments as a Position in an External Investment Pool	507,059,117			
Total Investments Measured at Fair Value	$ 508,680,485			

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.

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.

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 fund are based on an adopted spending policy which limits spending to 4.5% of the average market value of the endowment over three previous years. To the extent that the total return for current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2025, net appreciation of $83,239,069 was available to be spent, of which $74,839,604 was classified in net position as it is restricted, expendable for specific purposes, including scholarships, research, instruction, and other uses. The remaining portion of net appreciation available to be spent is classified as unrestricted net position. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Note 5 - Receivables

Receivables at June 30, 2025, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 5,026,615	$ 501,762	$ 4,524,853
Accounts	8,939,256	-	8,939,256
Intergovernmental	1,411,125	-	1,411,125
Pledges	6,768,008	92,161	6,675,847
Interest on Loans	15,147	-	15,147
Other	16,677	-	16,677
Total Current Receivables	$ 22,176,828	$ 593,923	$ 21,582,905
Noncurrent Receivables:			
Pledges	$ 17,366,278	$ 283,953	$ 17,082,325
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 88,582	$ 4,813	$ 83,769
Promisory Note	69,421	-	69,421
Institutional Student Loan Programs	62,378	-	62,378
Total Notes Receivable - Current	$ 220,381	$ 4,813	$ 215,568
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 285,451	$ 28,545	$ 256,906
Institutional Student Loan Programs	472,827	-	472,827
Total Notes Receivable - Noncurrent	$ 758,278	$ 28,545	$ 729,733

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 and Permanent Easements	$ 15,951,353	$ -	$ -	$ 15,951,353
Art, Literature, and Artifacts	2,036,789	-	-	2,036,789
Construction in Progress	67,223,387	23,987,939	79,013,589	12,197,737
Total Capital Assets, Nondepreciable	85,211,529	23,987,939	79,013,589	30,185,879
Capital Assets, Depreciable:				
Buildings	894,825,368	71,631,960	-	966,457,328
Machinery and Equipment	95,670,454	8,292,480	4,525,575	99,437,359
General Infrastructure	80,858,058	7,381,629	-	88,239,687
Right-to-Use Leased Buildings	1,195,916	4,672,305	-	5,868,221
Right-to-Use Leased Machinery and Equipment	897,643	289,959	-	1,187,602
Right-to-Use Subscription Assets	17,792,228	2,681,574	-	20,473,802
Total Capital Assets, Depreciable	1,091,239,667	94,949,907	4,525,575	1,181,663,999
Less Accumulated Depreciation/Amortization for:				
Buildings	224,691,188	12,512,921	-	237,204,109
Machinery and Equipment	59,904,532	8,981,200	3,633,255	65,252,477
General Infrastructure	24,233,950	2,220,997	-	26,454,947
Right-to-Use Leased Buildings	297,504	1,195,003	-	1,492,507
Right-to-Use Leased Machinery and Equipment	529,640	207,139	-	736,779
Right-to-Use Subscription Assets	7,656,891	5,588,592	-	13,245,483
Total Accumulated Depreciation/Amortization	317,313,705	30,705,852	3,633,255	344,386,302
Total Capital Assets, Depreciable, Net	773,925,962	64,244,055	892,320	837,277,697
Capital Assets, Net	$ 859,137,491	$ 88,231,994	$ 79,905,909	$ 867,463,576

As of June 30, 2025, the total amount of right-to-use leased and subscription assets was $7,055,823 and $20,473,802, and the related accumulated amortization was $2,229,286 and $13,245,483, respectively.

Note 7 - Public-Private Partnership for Student Housing Facility

The University entered an agreement on December 20, 2018, with CHF-Wilmington, LLC (CHF) to construct and operate a Student Housing Facility. The University entered into this agreement to address a shortage of student housing caused by enrollment growth yet avoid the issuance of debt. The Student Housing Facility consists of a 1,038-bed, two-building student housing facility completed in the Fall of 2020 ("Phase I") and a 776-bed, two-building student housing facility completed in the Fall of 2021 (Phase II). The project is on property located on the campus of the University of North Carolina Wilmington and leased to CHF for 50 years. Upon final payment of all indebtedness owed under the agreement, CHF will transfer all of its interest in the facility for no cost to the University. The agreement meets the definition of a service concession arrangement, as defined in GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. As a result, the University reports the project as a capital

asset and a related deferred inflow of resources. The University also reports the student housing facility as a capital asset with a carrying amount of $126,151,926 at year-end and a related deferred inflow of resources of $118,572,218. The net effect of this arrangement is reflected in the Statement of Net Position as an increase to net investment in capital assets of $7,579,708.

The student housing facility is managed by the University under the terms of the management agreement. The University operates the facility with budgetary oversight from CHF.

Note 8 - Accounts Payable and Accrued Liabilities

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

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 3,519,763
Accounts Payable - Capital Assets	1,363,100
Accrued Payroll	900,536
Contract Retainage	25,209
Intergovernmental Payables	786,645
Total Current Accounts Payable and Accrued Liabilities	$ 6,595,253

Note 9 - Long-Term Liabilities

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

	Balance July 1, 2024 (as Restated)	Additions	Reductions	Balance June 30, 2025	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 72,240,000	$ -	$ 1,680,000	$ 70,560,000	$ 1,765,000
Limited Obligation Bonds	91,975,000	-	5,320,000	86,655,000	5,565,000
Bonds from Direct Placements	14,410,000	-	3,131,000	11,279,000	3,176,000
Plus: Unamortized Premium	15,785,835	-	1,012,268	14,773,567	-
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net	194,410,835	-	11,143,268	183,267,567	10,506,000
Notes from Direct Borrowings	7,288,342	-	752,102	6,536,240	799,266
Total Long-Term Debt	201,699,177	-	11,895,370	189,803,807	11,305,266
Other Long-Term Liabilities					
Arbitrage Rebate Payable	-	42,013	-	42,013	-
Lease Liabilities	1,258,391	4,998,867	764,507	5,492,751	2,054,106
Subscription (SBITA) Liabilities	6,965,111	2,670,580	4,673,750	4,961,941	2,774,321
Employee Benefits					
Compensated Absences	11,338,779	9,544,475	8,577,956	12,305,298	490,374
Net Pension Liability	76,005,903	-	4,105,010	71,900,893	-
Net Other Postemployment Benefits Liability	233,015,300	67,245,727	243,181	300,017,846	-
Workers' Compensation	756,880	469,923	446,076	780,727	265,447
Total Other Long-Term Liabilities	329,340,364	84,971,585	18,810,480	395,501,469	5,584,248
Total Long-Term Liabilities, Net	$ 531,039,541	$84,971,585	$ 30,705,850	$ 585,305,276	$ 16,889,514

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

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

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
Revenue Bonds Payable					
UNCW General Revenue Bonds					
Parking Deck	2019	3.0% - 5.0%	04/01/2049	$ 21,350,000	$ 21,350,000
Refund 2010 and 2010D; Dining Facility (2019B)	2019B	2.25% - 5.0%	10/01/2049	41,395,000	38,825,000
Refund 2010C	2020A	5.0%	10/01/2026	11,180,000	2,040,000
Recreational Fields and Facilities	2021	4.0%	10/01/2050	8,420,000	8,345,000
Total UNCW General Revenue Bonds				82,345,000	70,560,000
Limited Obligation Bonds					
Student Housing-Seahawk Village & Seahawk Landing	2015	3.0% - 5.0%	06/01/2037	59,550,000	41,300,000
Student Housing-Seahawk Crossing & Parking Deck	2016	3.0% - 5.0%	06/01/2038	57,235,000	45,355,000
Total Limited Obligation Bonds				116,785,000	86,655,000
Bonds from Direct Placements					
Refund 2006A	2016	2.17%	10/01/2033	11,484,000	5,040,000
Refund 2011 and 2012	2020B	1.83%	01/01/2028	15,868,000	6,239,000
Total Bonds from Direct Placements				27,352,000	11,279,000
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements (principal only)				$ 226,482,000	168,494,000
Plus: Unamortized Premium					14,773,567
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net					$ 183,267,567

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

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
Energy Conservation Loan	Truist Bank	1.99%	03/01/2030	$ 4,542,387	$ 2,037,590
Energy Conservation Loan	The Huntington National Bank	3.42%	06/30/2033	6,846,011	3,814,300
Truist Hall	Truist Bank	2.99%	06/10/2029	1,014,649	684,350
Total Notes from Direct Borrowings				$ 12,403,047	$ 6,536,240

The University plans to refinance the notes maturing on June 10, 2029 with other long-term financing.

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

	Annual Requirements							
	Revenue Bonds Payable		Limited Obligation Bonds		Bonds from Direct Placements		Notes from Direct Borrowings	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,765,000	$ 2,778,537	$ 5,565,000	$ 3,532,225	$ 3,176,000	$ 224,115	$ 799,266	$ 186,041
2027	1,860,000	2,688,687	5,790,000	3,308,875	2,489,000	162,651	841,524	163,475
2028	2,325,000	2,592,038	6,015,000	3,078,575	2,368,000	115,661	893,399	139,843
2029	2,435,000	2,476,013	6,280,000	2,807,525	510,000	69,690	940,418	114,867
2030	2,560,000	2,354,438	6,575,000	2,524,425	523,000	57,656	1,544,969	74,455
2031-2035	14,700,000	9,832,056	37,045,000	8,419,850	2,213,000	104,629	1,516,664	89,334
2036-2040	20,125,000	6,318,975	19,385,000	1,231,450	-	-	-	-
2041-2045	12,085,000	3,341,150	-	-	-	-	-	-
2046-2050	12,335,000	1,153,050	-	-	-	-	-	-
2051	370,000	7,400	-	-	-	-	-	-
Total Requirements	$ 70,560,000	$ 33,542,344	$ 86,655,000	$ 24,902,925	$ 11,279,000	$ 734,402	$ 6,536,240	$ 768,015

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

The outstanding **Revenue Bonds Payable** of $70,560,000 and **Bonds from Direct Placements** of $11,279,000 (together, "General Revenue Bonds") contain provisions that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

The outstanding **Limited Obligation Bonds** (LOBs) of $86,655,000 are obligations of the UNCW Corporation secured by revenues which include rentals payable by the University under leases and use agreements on the facilities financed and refinanced with the LOBs. The LOBs are further secured by a deed of trust on the property financed and refinanced with the LOBs. The outstanding LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. Additionally, the bonds become immediately due and payable if an event of default occurs under the leases or use agreements or under the deed of trust. The Trustee may also take property secured under the deed of trust held as security, including foreclosure on the property held as security.

Notes from Direct Borrowings - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for UNC System Guaranteed Energy Savings Installment Financing Agreements in relation to the outstanding notes from direct borrowing of $5,851,890. These agreements also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days. Upon the occurrence of any event of default, the lender may declare the outstanding amount due and payable immediately. The

lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys' fees incurred.

UNCW has one outstanding note from direct borrowing of $684,350 dated July 3, 2019, which is an obligation of UNCW Corporation Real Property I, LLC. It contains provisions that in the event of default, the lender may take any or all of the following actions: (1) declare all balances due immediately; (2) require additional pledged collateral; (3) take possession and foreclose upon the collateral; (4) exercise all rights and remedies available under the agreement or under applicable law; and (5) cease any obligation to advance funds.

Note 10 - Leases and Subscription-Based Information Technology Arrangements

A. Lessor Arrangements - The University leases buildings, land, and towers 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 ended June 30, 2025, the University recognized operating revenues related to lessor arrangements totaling $418,107, and nonoperating lease interest income totaling $5,511. During the year the University did not recognize any variable payment amounts.

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:					
Land	1	$ 153,076	$ 27,267	9 years	1.5%
Buildings	4	61,829	61,829	3 - 5 years	0.3% - 1.1%
General Infrastructure	4	214,966	48,506	4 - 9 years	1.1% - 3.5%
Total	9	$ 429,871	$ 137,602		

(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 buildings and machinery and equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term. The expected payments are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate. During the year the University did not recognize any variable payment amounts.

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

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2025	Current Portion	Lease Terms [1]	Interest Rate Ranges
Lessee:					
Right-to-Use Leased Buildings	3	$ 5,015,682	$ 1,878,280	3 - 25 years	2.5% - 3.5%
Right-to-Use Leased Machinery and Equipment	2	477,069	175,826	4 - 8 years	0.7% - 1.8%
Total	5	$ 5,492,751	$ 2,054,106		

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

Measurement of the subscription liability excluded the following variable payment amounts: payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of $66,681 for these changes in variable payments not previously included in the measurement of the subscription liability.

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	46	$ 4,961,941	$ 2,774,321	1 - 6 years	1.9% - 3.5%

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

	Annual Requirements			
	Lease Liabilities		SBITA Liabilities	
Fiscal Year	Principal	Interest	Principal	Interest
2026	$ 2,054,106	$ 146,781	$ 2,774,321	$ 138,387
2027	2,298,813	73,498	1,389,652	61,809
2028	344,062	23,972	592,193	21,878
2029	145,781	19,283	205,775	7,196
2030	30,216	15,784	-	-
2031-2035	162,840	67,160	-	-
2036-2040	184,323	45,676	-	-
2041-2045	208,641	21,359	-	-
2046-2050	63,969	1,197	-	-
Total Requirements	$ 5,492,751	$ 414,710	$ 4,961,941	$ 229,270

Note 11 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (34,866,708)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(238,599,571)
Effect on Unrestricted Net Position	(273,466,279)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	225,387,434
Total Unrestricted Net Position	$ (48,078,845)

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

Net investment in capital assets has been significantly affected by a transaction that resulted in the acquisition of capital assets and the recognition of deferred inflows of resources as shown in the following table:

	Amount
Carrying Value of Capital Assets Acquired Under Public-Private Partnership	$ 126,151,926
Deferred Inflows Under Public-Private Partnership	(118,572,218)
Net Effect on Net Investment in Capital Assets	7,579,708
Total Net Investment in Capital Assets Before Recognition of Public-Private Partnership	541,393,394
Total Net Investment in Capital Assets	$ 548,973,102

See Note 7 for detailed information regarding the amortization of the deferred inflows of resources under the public-private partnership.

Note 12 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 178,475,574	$ 23,347,555	$ 467,506	$ 154,660,513
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	$ 37,580,158	$ 3,441,641	$ 40,607	$ 34,097,910
Dining	25,365,727	2,675,070	28,676	22,661,981
Parking	5,036,419	-	4,744	5,031,675
Recreation Services	4,191,367	-	26,140	4,165,227
Bookstore	1,039,002	-	-	1,039,002
Other	2,517,617	-	39,372	2,478,245
Sales and Services of Education and Related Activities	5,354,602	-	2,957	5,351,645
Total Sales and Services, Net	$ 81,084,892	$ 6,116,711	$ 142,496	$ 74,825,685
Nonoperating Revenues:				
Noncapital Contributions, Net	$ 33,441,925	$ -	$ 224,893	$ 33,217,032

Note 13 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 159,002,840	$ 24,848,231	$ 1,008,761	$ 120,988	$ -	$ 184,980,820
Research	14,995,105	8,714,142	422,758	-	-	24,132,005
Public Service	4,479,428	2,515,459	194,931	-	-	7,189,818
Academic Support	29,874,553	12,660,727	44,661	726	-	42,580,667
Student Services	15,829,990	4,949,854	192,623	499	-	20,972,966
Institutional Support	35,527,576	9,711,383	205,325	847	-	45,445,131
Operations and Maintenance of Plant	23,971,772	7,099,055	-	6,330,892	-	37,401,719
Student Financial Aid	-	-	37,228,444	-	-	37,228,444
Auxiliary Enterprises	22,194,529	51,381,637	1,535,969	3,394,001	-	78,506,136
Depreciation/Amortization	-	-	-	-	30,705,852	30,705,852
Total Operating Expenses	$ 305,875,793	$ 121,880,488	$ 40,833,472	$9,847,953	$ 30,705,852	$ 509,143,558

Note 14 - Retirement Plans

A. Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions

that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2025 was 16.79% of covered payroll. Plan members' contributions to the pension plan were $5,713,638, and the University's contributions were $15,988,664 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 $71,900,893 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 0.48527%, which was an increase of 0.02938 from its proportion measured as of June 30, 2023, which was 0.45589%.

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

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

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

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

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

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

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

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

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

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

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$131,894,217	$ 71,900,893	$ 22,427,607

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 $21,967,094. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 6,479,519	$ 212,548
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	11,856,117	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,922,433	-
Contributions Subsequent to the Measurement Date	15,988,664	-
Total	$ 37,246,733	$ 212,548

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

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

Year Ending June 30:	Amount
2026	$ 6,955,578
2027	15,665,677
2028	(306,623)
2029	(1,269,111)
Total	$ 21,045,521

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 $228,449,061, of which $104,497,205 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $6,269,832 and $7,147,609, respectively. The amount of pension expense recognized in the current year related to ORP is $6,742,689, equal to the employer contributions less forfeitures of $404,920.

Note 15 - Other Postemployment Benefits

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

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

B. Plan Descriptions

1. Health Benefits

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

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing,

multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

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

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

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

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The University's contractually-required contribution rate for the year ended June 30, 2025 was 6.99% of covered payroll. The University's contributions to the RHBF were $13,960,743 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 $91,278.

2. Disability Income

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

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial

benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after: (1) reaching the age of 65 and completing five years of membership service; (2) reaching the age of 60 and completing 25 years of creditable service; or (3) completing 30 years of creditable service, at any age.

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

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

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

Contributions: Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2025 was 0.13% of covered payroll. The University's contributions to DIPNC were $259,642 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 $300,017,846 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 0.88208%, which was an increase of 0.00855 from its proportion measured as of June 30, 2023, which was 0.87353%.

Disability Income Plan of North Carolina: At June 30, 2025, the University reported an asset of $309,439 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 0.93980%, which was an increase of 0.02545 from its proportion measured as of June 30, 2023, which was 0.91435%.

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	$356,943,597	$300,017,846	$254,311,450
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	$ (275,916)	$ (309,439)	$ (344,672)

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	$ 247,643,198	$ 300,017,846	$ 367,832,825

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

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

OPEB Plan	Amount
RHBF	$ 17,749,089
DIPNC	142,277
Total OPEB Expense	$ 17,891,366

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

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 2,445,321	$ 124,749	$ 2,570,070
Changes of Assumptions	72,256,549	4,614	72,261,163
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,285,625	242,929	1,528,554
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	11,350,959	-	11,350,959
Contributions Subsequent to the Measurement Date	13,960,743	259,642	14,220,385
Total	$101,299,197	$ 631,934	$101,931,131

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ -	$ 355,921	$ 355,921
Changes of Assumptions	39,116,202	144,165	39,260,367
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	764,720	56,209	820,929
Total	$ 39,880,922	$ 556,295	$ 40,437,217

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	$ 2,183,734	$ (142,856)
2027	10,338,072	(100,600)
2028	20,238,592	29,057
2029	14,697,134	18,262
2030	-	12,133
Thereafter	-	1
Total	$ 47,457,532	$ (184,003)

Note 16 - Risk Management

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

The University is required by UNC Policy 1300.12 – Policy on Insurance Coverage to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a $25,000 per occurrence deductible.

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the University

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Policies include cyber, boiler and machinery, crime, oceanographic equipment, watercraft and watercraft pollution coverage, and professional liability.

Note 17 - Commitments and Contingencies

A. Commitments - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $6,989,736 and on other purchases were $14,790,960 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.

C. Other Contingent Receivables - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Endowment Pledges	$ 2,443,698

Note 18 - Related Parties

Foundations - There are four separately incorporated nonprofit foundations associated with the University. These foundations are the UNCW Student Aid Association, Inc. (Student Aid), the Foundation of the University of North Carolina at Wilmington, Inc. (Foundation), the Alumni Association of the University of North Carolina at Wilmington (Alumni), and the Friends of the University of North Carolina at Wilmington, Inc. (Friends). The University maintains a cash balance for each of the four foundations. This fiduciary relationship meets certain criteria of GASB Statement No. 84 and the cash balances and related activities are reported as custodial funds in the fiduciary fund financial statements.

Student Aid fosters and promotes the education of student athletes by obtaining donations for the scholarship program at the University. The association also raises funds for the improvement and construction of physical facilities used by the University for athletic purposes, for the University's athletic scholarship fund, and to provide operational and supplementary support for the entire sports program. In addition, the association exists to encourage a fraternal spirit of loyalty and interest in the University by alumni, friends, and benefactors. Direct support from Student Aid totaled $1,857,296 for the year ended June 30, 2025. The University maintains a cash balance for Student Aid which was $3,628,757 as of June 30, 2025.

The Foundation assists the University by soliciting and receiving private gifts from individuals, corporations, and other organizations. These gifts support the University by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds for academic programs. In addition, the Foundation can accept and liquidate non-cash gifts for the University and acquire property on the University's behalf. The Foundation's direct support to the University totaled $278,004 for the year ended June 30, 2025. The University maintains a cash balance for the Foundation which was $608,267 as of June 30, 2025.

Alumni serves to connect and involve alumni, students, and friends in the promotion and advancement of the University. Occasionally donations are made from this association to the University. This support totaled $1,650 for the year ended June 30, 2025. The University maintains a cash balance for the Alumni which was $402,872 as of June 30, 2025.

Friends contributes gifts to the University based on grant requests and may at a donor's request, contribute to a University academic scholarship fund. This support totaled $17,487 for the year ended June 30, 2025. The University maintains a cash balance for Friends which was $15,936 as of June 30, 2025.

All of these foundations are self-sustaining; however, the University does support their operations through donated administrative services. The University's proprietary fund financial statements do not include the assets, liabilities, net assets, or operational transactions of the foundations, except for support from each organization to the University. Separate financial statements for these foundations may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5918, or by calling (910) 962-2525.

Note 19 - Blended Component Units

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

Condensed Statement of Net Position
Proprietary Fund
June 30, 2025

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
ASSETS							
Current Assets	$ 304,159,007	$ -	$ -	$ -	$ 620,089	$ -	$ 304,779,096
Capital Assets, Net	865,534,522	-	-	1,929,054	3,833	(3,833)	867,463,576
Other Noncurrent Assets	238,724,279	1,621,368	-	-	-	-	240,345,647
Component Unit Receivable from Primary Government	-	-	93,507,363	664,562	-	(94,171,925)	-
Total Assets	1,408,417,808	1,621,368	93,507,363	2,593,616	623,922	(94,175,758)	1,412,588,319
TOTAL DEFERRED OUTFLOWS OF RESOURCES	143,776,731	-	4,121,936	-	-	(4,121,936)	143,776,731
LIABILITIES							
Current Liabilities	39,034,252	846	5,852,954	25,773	13,098	-	44,926,923
Long-Term Liabilities, Net	480,102,776	-	87,654,409	658,577	-	-	568,415,762
Other Noncurrent Liabilities	4,716,817	-	-	-	-	-	4,716,817
Primary Government Payable to Component Unit	94,171,925	-	-	-	-	(94,171,925)	-
Total Liabilities	618,025,770	846	93,507,363	684,350	13,098	(94,171,925)	618,059,502
TOTAL DEFERRED INFLOWS OF RESOURCES	160,237,957	-	4,121,936	-	-	(4,121,936)	160,237,957
NET POSITION							
Net Investment in Capital Assets	547,063,836	-	-	1,909,266	-	-	548,973,102
Restricted - Nonexpendable	91,552,756	999,796	-	-	-	-	92,552,552
Restricted - Expendable	183,914,632	620,726	-	-	85,424	-	184,620,782
Unrestricted	(48,600,412)	-	-	-	525,400	(3,833)	(48,078,845)
Total Net Position	$ 773,930,812	$ 1,620,522	$ -	$ 1,909,266	$ 610,824	$ (3,833)	$ 778,067,591

* The elimination net position amount of $3,833 is a result of the Research Foundation having a lower capitalization threshold than the University.

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

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
OPERATING REVENUES							
Student Tuition and Fees, Net	$ 154,660,513	$ -	$ -	$ -	$ -	$ -	$ 154,660,513
Federal Grants and Contracts	11,378,888	-	-	-	-	-	11,378,888
State and Local Grants and Contracts	8,635,822	-	-	-	-	-	8,635,822
Nongovernmental Grants and Contracts	4,532,899	-	-	-	-	-	4,532,899
Sales and Services, Net	74,547,581	-	4,075,048	21,162	276,367	(4,094,473)	74,825,685
Interest Earnings on Loans	8,346	-	-	-	-	-	8,346
Other Operating Revenues	8,799,381	3,132	19,120	70,174	539,575	(564,097)	8,867,285
Total Operating Revenues	262,563,430	3,132	4,094,168	91,336	815,942	(4,658,570)	262,909,438
OPERATING EXPENSES							
Operating Expenses	477,991,983	87,205	19,120	69,613	855,307	(585,522)	478,437,706
Depreciation/Amortization	30,705,852	-	-	-	-	-	30,705,852
Total Operating Expenses	508,697,835	87,205	19,120	69,613	855,307	(585,522)	509,143,558
Operating Income (Loss)	(246,134,405)	(84,073)	4,075,048	21,723	(39,365)	(4,073,048)	(246,234,120)
NONOPERATING REVENUES (EXPENSES)							
State Appropriations	221,143,329	-	-	-	-	-	221,143,329
Student Financial Aid	38,836,776	-	-	-	-	-	38,836,776
Federal Aid - COVID-19	98,787	-	-	-	-	-	98,787
Noncapital Contributions, Net	33,215,192	-	-	-	1,840	-	33,217,032
Investment Income, Net	31,590,662	167,293	-	-	-	-	31,757,955
Interest and Fees on Debt	(6,830,820)	-	(4,075,048)	(21,164)	-	4,075,048	(6,851,984)
Other Nonoperating Expenses	(346,035)	-	-	-	-	-	(346,035)
Net Nonoperating Revenues (Expenses)	317,707,891	167,293	(4,075,048)	(21,164)	1,840	4,075,048	317,855,860
Capital Contributions	17,571,605	-	-	-	-	-	17,571,605
Additions to Endowments	4,444,960	-	-	-	-	-	4,444,960
Total Other Revenues	22,016,565	-	-	-	-	-	22,016,565
Increase (Decrease) in Net Position	93,590,051	83,220	-	559	(37,525)	2,000	93,638,305
NET POSITION							
Net Position, July 1, 2024 (as Restated)	680,340,761	1,537,302	-	1,908,707	648,349	(5,833)	684,429,286
Net Position, June 30, 2025	$ 773,930,812	$ 1,620,522	$ -	$ 1,909,266	$ 610,824	$ (3,833)	$ 778,067,591

* The elimination net position amount of $3,833 is a result of Research Foundation having a lower capitalization threshold than the University.

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

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Total
Net Cash Provided (Used) by Operating Activities	$ (219,011,113)	$ -	$ 9,091,875	$ 46,165	$ (20,538)	$ (209,893,611)
Cash Provided by Noncapital Financing Activities	287,691,456	-	-	-	-	287,691,456
Net Cash Used by Capital Financing and Related Financing Activities	(28,618,167)	-	(9,091,875)	(46,165)	-	(37,756,207)
Net Cash Provided by Investing Activities	69,246,504	-	-	-	-	69,246,504
Net Increase (Decrease) in Cash and Cash Equivalents	109,308,680	-	-	-	(20,538)	109,288,142
Cash and Cash Equivalents, July 1, 2024	224,972,359	-	-	-	615,707	225,588,066
Cash and Cash Equivalents, June 30, 2025	$ 334,281,039	$ -	$ -	$ -	$ 595,169	$ 334,876,208

Note 20 - Changes in Financial Accounting and Reporting

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

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risk Disclosures

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

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

Note 21 - Net Position Restatement

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

	Amount
July 1, 2024 Net Position as Previously Reported	$681,810,783
Restatement:	
Restatement of Compensated Absenses due to Implementation of GASB Statement No. 101	2,618,503
July 1, 2024 Net Position as Restated	$684,429,286



Required Supplementary Information

University of North Carolina Wilmington
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	0.48527%	0.45589%	0.44183%	0.43833%	0.41690%
Proportionate Share of TSERS Collective Net Pension Liability	$ 71,900,893	$ 76,005,903	$ 65,577,460	$ 20,525,245	$ 50,369,845
Covered Payroll	$ 88,938,234	$ 80,425,967	$ 74,947,672	$ 71,602,114	$ 68,928,811
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	80.84%	94.50%	87.50%	28.67%	73.08%
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	0.42137%	0.38917%	0.37310%	0.35978%	0.35723%
Proportionate Share of TSERS Collective Net Pension Liability	$ 43,683,247	$ 38,746,112	$ 29,603,399	$ 33,067,499	$ 13,164,633
Covered Payroll	$ 68,173,782	$ 62,252,744	$ 57,507,190	$ 53,596,237	$ 53,297,118
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	64.08%	62.24%	51.48%	61.70%	24.70%
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.

University of North Carolina Wilmington
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	$ 15,988,664	$ 15,689,666	$ 13,978,033	$ 12,276,429	$ 10,582,792
Contributions in Relation to the Contractually Determined Contribution	15,988,664	15,689,666	13,978,033	12,276,429	10,582,792
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 95,227,304	$ 88,938,234	$ 80,425,967	$ 74,947,672	$ 71,602,114
Contributions as a Percentage of Covered Payroll	16.79%	17.64%	17.38%	16.38%	14.78%

	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 8,940,067	$ 8,378,558	$ 6,710,846	$ 5,739,218	$ 4,904,056
Contributions in Relation to the Contractually Determined Contribution	8,940,067	8,378,558	6,710,846	5,739,218	4,904,056
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 68,928,811	$ 68,173,782	$ 62,252,744	$ 57,507,190	$ 53,596,237
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.

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

Changes of Benefit Terms:

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

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

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

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

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

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

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

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

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

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

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

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

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

N/A - Not Applicable

University of North Carolina Wilmington
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*

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability	0.88208%	0.87353%	0.84893%	0.85417%	0.82024%
Proportionate Share of Collective Net OPEB Liability	$ 300,017,846	$ 232,772,119	$ 201,593,584	$ 264,070,324	$ 227,540,712
Covered Payroll	$ 187,490,597	$ 172,709,595	$ 161,743,441	$ 153,900,045	$ 148,430,764
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	160.02%	134.78%	124.64%	171.59%	153.30%
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	0.82035%	0.74397%	0.70267%	0.77946%
Proportionate Share of Collective Net OPEB Liability	$ 259,553,742	$ 211,944,551	$ 230,381,927	$ 339,091,594
Covered Payroll	$ 145,968,903	$ 135,553,502	$ 124,750,663	$ 118,788,130
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	177.81%	156.35%	184.67%	285.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%

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

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.93980%	0.91435%	0.89342%	0.85940%	0.84553%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (309,439)	$ 243,181	$ 265,775	$ (140,374)	$ (415,950)
Covered Payroll	$ 187,490,597	$ 172,709,595	$ 161,743,441	$ 153,900,045	$ 148,430,764
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.17%	0.14%	0.16%	0.09%	0.28%
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)	0.83465%	0.78348%	0.76875%	0.72922%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (360,151)	$ (237,990)	$ (469,860)	$ (452,846)
Covered Payroll	$ 145,968,903	$ 135,553,502	$ 124,750,663	$ 118,788,130
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.25%	0.18%	0.38%	0.38%
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.

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

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Contractually Required Contribution	$ 13,960,743	$ 13,386,829	$ 11,899,691	$ 10,173,662	$ 10,280,523
Contributions in Relation to the Contractually Determined Contribution	13,960,743	13,386,829	11,899,691	10,173,662	10,280,523
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 199,724,509	$ 187,490,597	$ 172,709,595	$ 161,743,441	$ 153,900,045
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	$ 9,603,470	$ 9,152,250	$ 8,200,987	$ 7,252,952	$ 6,652,135
Contributions in Relation to the Contractually Determined Contribution	9,603,470	9,152,250	8,200,987	7,252,952	6,652,135
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 148,430,764	$ 145,968,903	$ 135,553,502	$ 124,750,663	$ 118,788,130
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

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

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Contractually Required Contribution	$ 259,642	$ 206,240	$ 172,710	$ 145,569	$ 138,510
Contributions in Relation to the Contractually Determined Contribution	259,642	206,240	172,710	145,569	138,510
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 199,724,509	$ 187,490,597	$ 172,709,595	$ 161,743,441	$ 153,900,045
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	$ 148,431	$ 204,356	$ 189,775	$ 474,053	$ 487,031
Contributions in Relation to the Contractually Determined Contribution	148,431	204,356	189,775	474,053	487,031
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 148,430,764	$ 145,968,903	$ 135,553,502	$ 124,750,663	$ 118,788,130
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Independent Auditor's Report

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

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

Board of Trustees
University of North Carolina Wilmington
Wilmington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of the University of North Carolina Wilmington (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, 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 30, 2025.

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 30, 2025

Ordering Information

Copies of this report may be obtained by contacting:

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

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



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

Telephone:1-800-730-8477

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

This audit required 529 hours at an approximate cost of $81,995.

APPENDIX C

UNAUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2026

University of North Carolina Wilmington

Wilmington, NC



Financial Statement Audit Report

For the Year Ended June 30, 2026

State Auditor
Dave Boliek

A Constitutional Office of the State of North Carolina

Management's Discussion and Analysis

DRAFT

The University of North Carolina Wilmington (University or UNCW) provides the following Management's Discussion and Analysis (MD&A) as an overview of the proprietary fund financial activities for the fiscal year ended June 30, 2026. The MD&A identifies significant transactions that have fiscal impact and highlights favorable and unfavorable trends. Comparative data for the previous year is presented to provide a better understanding of the financial information.

Overview of the Financial Statements

The University's financial report includes three proprietary fund financial statements that depict the financial activity and fiscal condition of the University for the current year and two fiduciary fund financial statements. These financial statements include: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. The proprietary fund financial statements account for the University's primary activities. The fiduciary fund financial statements account for the University's fiduciary activities which are considered custodial funds. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and using the accrual basis of accounting. This method of accounting requires that revenues and assets be recognized when the service is provided. Expenses and liabilities are recognized when others provide services, regardless of when cash is exchanged.

The Statement of Net Position includes all the University's proprietary fund assets, deferred outflows and inflows, liabilities, and net position. The University's proprietary fund net position (the monetary difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources) is one indicator of the University's financial viability. Over time, changes in the proprietary fund net position provide information on the improvement or erosion of the University's financial condition when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's proprietary fund revenues earned and expenses incurred during the fiscal year. The statement distinguishes between operating and nonoperating activities and separately reports certain categories of transactions, including noncapital subsidies, contributions to permanent and term endowments, and unusual or infrequent items, as applicable.

A key factor to consider when evaluating the financial viability of the University is the ability to meet financial obligations as they mature. The Statement of Cash Flows presents proprietary fund information that allows the reader to evaluate the University's ability to meet its financial obligations on a current basis.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position present the University's fiduciary fund assets, liabilities, net position, additions, and deductions related to resources held by the University in a custodial capacity for the four related parties described in Note 18.

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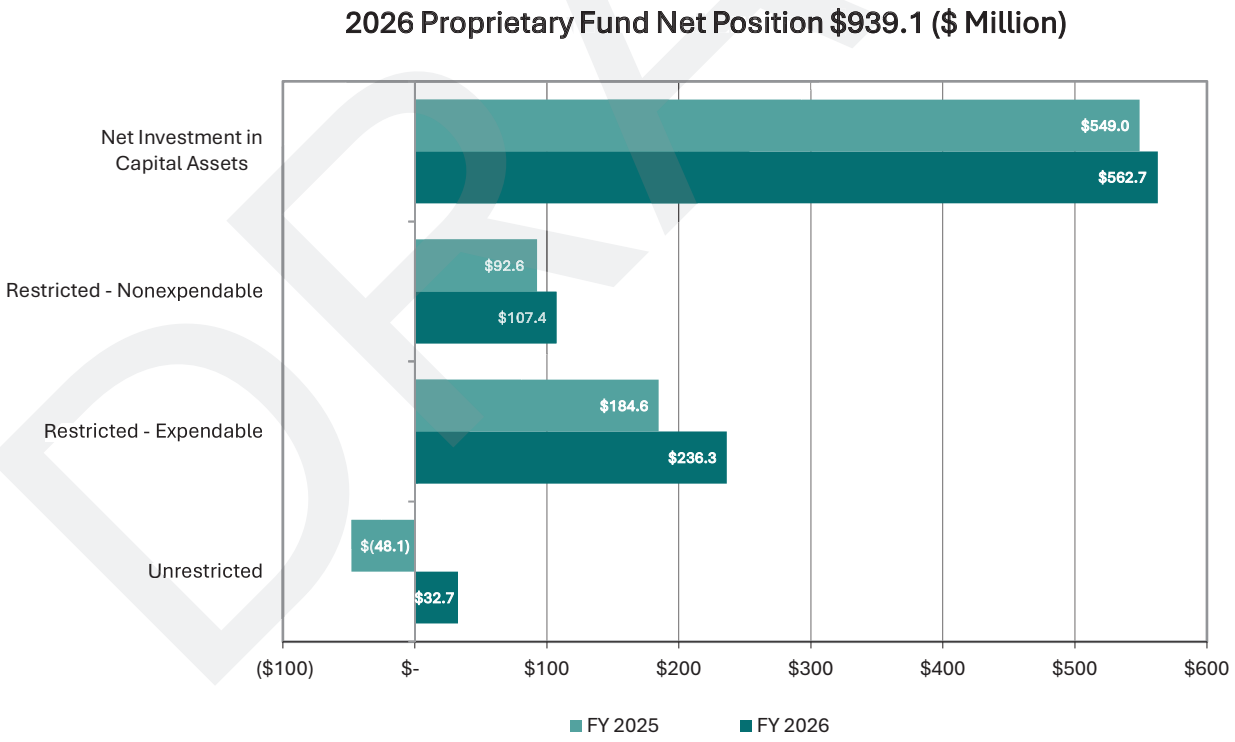
Financial Summary

During fiscal year 2026, the University implemented *GASB Statement No. 103, Financial Reporting Model Improvements*. The standard includes revisions to the presentation of the Statement of Revenues, Expenses, and Changes in Net Position, including updated definitions of operating and nonoperating revenues and expenses and the creation of two new categories, noncapital subsidies and unusual or infrequent items. Also included were revisions to the structure and content of the MD&A. As a result, certain fiscal year 2025 revenue and expense balances have been reclassified to conform to the fiscal year 2026 presentation. These reclassifications did not affect previously reported net position or change in net position. See Notes 1 and 20 for additional information regarding implementation of GASB Statement No. 103.

Condensed Statement of Net Position

The University's net position increased by $161.0 million to $939.1 million on June 30, 2026. Total assets and deferred outflows of resources were $1.6 billion and $107.8 million, respectively, while total liabilities and deferred inflows of resources were $567.8 million and $223.3 million, respectively. Capital assets remained the University's largest asset category, while reductions in pension and other postemployment benefits (OPEB) related liabilities and an increase in the endowment net position contributed to the improvement in the University's overall net position.



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The table below summarizes the University's Statement of Net Position as of June 30, 2026, and June 30, 2025. Additional discussion and analysis of the University's financial position is provided in the Detailed Analyses section that follows.

Condensed Statement of Net Position
Proprietary Fund
June 30, as Indicated

	2026	2025	Change
Assets			
Current Assets, Net	$ 368,742,636	$ 304,779,096	$ 63,963,540
Capital Assets, Net	887,773,789	867,463,576	20,310,213
Other Noncurrent Assets	365,790,929	240,345,647	125,445,282
Total Assets	1,622,307,354	1,412,588,319	209,719,035
Total Deferred Outflows of Resources	107,836,200	143,776,731	(35,940,531)
Liabilities			
Current Liabilities	54,038,918	44,926,923	9,111,995
Long-Term Liabilities, Net	511,038,612	568,415,762	(57,377,150)
Other Noncurrent Liabilities	2,677,827	4,716,817	(2,038,990)
Total Liabilities	567,755,357	618,059,502	(50,304,145)
Total Deferred Inflows of Resources	223,282,741	160,237,957	63,044,784
Net Position			
Net Investment in Capital Assets	562,700,653	548,973,102	13,727,551
Restricted - Nonexpendable	107,362,835	92,552,552	14,810,283
Restricted - Expendable	236,345,825	184,620,782	51,725,043
Unrestricted	32,696,143	(48,078,845)	80,774,988
Total Net Position	$ 939,105,456	$ 778,067,591	$ 161,037,865

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

Operating revenues increased $19.8 million to $295.8 million, operating expenses decreased $4.4 million to $478.7 million, noncapital subsidies decreased $26.1 million to $228.4 million, and other nonoperating revenues increased $69.4 million to $115.6 million during fiscal year 2026. These changes contributed to an increase in the University's net position of $161.0 million. The primary factors affecting revenues, expenses, and changes in net position are discussed in more detail in the Detailed Analyses section that follows.

The table below summarizes the University's Statement of Revenues, Expenses, and Changes in Net Position as of June 30, 2026, and June 30, 2025. Further analysis of the University's financial position is provided in the Detailed Analyses section that follows.

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Condensed Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For Year Ended June 30, as Indicated

	2026	2025	Change
Operating Revenues			
Student Tution and Fees, Net	$ 146,652,351	$ 133,685,528	$ 12,966,823
Student Financial Aid	39,848,468	38,836,776	1,011,692
Sales and Services, Net	78,282,983	69,740,783	8,542,200
Grants and Contracts	20,474,578	24,547,609	(4,073,031)
Other Operating Revenues	10,522,821	9,220,495	1,302,326
Total Operating Revenues	295,781,201	276,031,191	19,750,010
Operating Expenses			
Salaries and Beefits	289,525,543	305,875,793	(16,350,250)
Supplies and Services	129,895,062	121,880,835	8,014,227
Scholarships and Fellowships	15,135,177	14,773,587	361,590
Utilities	10,557,616	9,847,953	709,663
Depreciation/Amortization	33,579,805	30,705,852	2,873,953
Total Operating Expenses	478,693,203	483,084,020	(4,390,817)
Operating Loss	(182,912,002)	(207,052,829)	24,140,827
Noncapital Subsidies			
State Appropriations	222,392,873	221,143,329	1,249,544
State Aid	2,389,459	2,014,020	375,439
Noncapital Contributions, Net	3,574,708	31,301,798	(27,727,090)
Total Noncapitaal Subsidies	228,357,040	254,459,147	(26,102,107)
Operating Loss and Noncapital Subsidies	45,445,038	47,406,318	(1,961,280)
Other Nonoperating Revenues (Expenses)			
Investment Income, Net	79,319,315	31,757,955	47,561,360
Expenses Related to Financing Related to Debt	(8,563,803)	(6,851,984)	(1,711,819)
Revenues Relatedd to Financiaing other than Debt	11,116	13,858	(2,742)
Loss from the Disposal of Capital Assets	(136,311)	(704,407)	568,096
Capital Contributions	30,216,845	17,571,605	12,645,240
Additions to Endowments	14,745,665	4,444,960	10,300,705
Total Other Nonoperating Revenues	115,592,827	46,231,987	69,360,840
Increase in Net Position	161,037,865	93,638,305	67,399,560
Net Position - Beginning of Year	778,067,591	684,429,286	93,638,305
Net Position - End of Year	$ 939,105,456	$ 778,067,591	$ 161,037,865
Reconciliation of Change in Net Position			
Total Revenues	$ 648,431,182	$ 584,278,716	$ 64,152,466
Less: Total Expenses	487,393,317	490,640,411	(3,247,094)
Increase in Net Position	$ 161,037,865	$ 93,638,305	$ 67,399,560

* Certain fiscal year 2025 revenues and expenses have been reclassified for comparative presentation due to the implementation of GASB Statement No. 103 and the correction of an error in the prior-year calculation of student tuition discounts. As a result of the correction, student tuition and fees, net, and sales and services, net, were reduced by $21.0 million and $5.1 million, respectively, and scholarships and fellowships expense was reduced by $26.1 million.

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Detailed Analyses

Assets

Total University assets increased $209.7 million, or 14.8%, to $1.6 billion on June 30, 2026. Current assets increased $64.0 million, driven primarily by a $59.9 million increase in cash and cash equivalents. The increase in cash was largely attributable to $15.8 million of earnings from the State Treasurer's Short-Term Investment Fund, $12.6 million of internally designated grant receipts for capital projects including Cameron Hall, Kenan Auditorium, and DeLoach Hall, a $7.2 million increase in net tuition-related cash collections, and $6.4 million of payments received on outstanding pledges. Current restricted cash and cash equivalents increased $8.4 million, primarily due to higher cash balances associated with major capital projects in progress, including a $4.9 million increase related to Student Housing Village - Phase III. Restricted cash balances increased to meet the University's $3.0 million current capitalized interest obligation at year-end. These increases were partially offset by a $4.6 million decrease in current receivables, primarily reflecting the collection of $4.3 million of grant receivables that were outstanding on June 30, 2025, and paid in full during fiscal year 2026.

Capital assets, net, increased $20.3 million during fiscal year 2026. Significant construction activity contributing to this increase is discussed in the Significant Capital Asset and Long-Term Financing Activity section below.

Other noncurrent assets increased $125.4 million, primarily due to a $66.4 million increase in restricted cash and cash equivalents and a $63.5 million increase in endowment investments. The growth in restricted cash was driven principally by $59.6 million of Student Housing Village - Phase III bond proceeds held at year-end and a $7.0 million increase in endowment cash balances resulting from strong Short-Term Investment Fund earnings and endowment cash management activities. Endowment investments increased as the portfolio generated a 37.8% annual return, resulting in approximately $63.4 million of net investment gains during fiscal year 2026. These increases were partially offset by a $5.5 million decrease in noncurrent receivables, net, primarily reflecting the first $5.0 million of collections on two significant pledges made during fiscal year 2025.

Deferred Outflows of Resources

Deferred outflows of resources decreased $35.9 million, or 25.0%, to $107.8 million on June 30, 2026. Deferred outflows related to pensions decreased $11.0 million, primarily due to the amortization of fiscal year 2025 employer contributions of $16.0 million and unfavorable differences between projected and actual investment earnings of $11.9 million. These decreases were partially offset by fiscal year 2026 employer contributions of $16.8 million. Deferred outflows related to OPEB decreased $24.5 million, primarily due to the amortization of previously deferred balances of $14.0 million, unfavorable changes in actuarial assumptions of $20.2 million, and changes in proportion and contributions during the measurement period of $3.3 million. These decreases were partially offset by fiscal year 2026 employer contributions of $15.1 million.

Liabilities

Total liabilities decreased $50.3 million, or 8.1%, to $567.8 million on June 30, 2026. Current liabilities increased $9.1 million, primarily due to a $5.7 million increase in accounts payable and

accrued liabilities related largely to ongoing construction activity, including the Student Housing Village - Phase III project. Noncurrent liabilities decreased $59.4 million, driven primarily by reductions in the University's net OPEB liability of $105.6 million and net pension liability of $13.4 million resulting from updated actuarial valuations and assumptions. These decreases were partially offset by a $62.2 million increase in bonds and similar debt primarily associated with financing the Student Housing Village - Phase III project. Additional information regarding the University's debt activity is presented in the Significant Capital Asset and Long-Term Financing Activity section below.

Deferred Inflows of Resources

Deferred inflows of resources increased $63.0 million, or 39.3%, to $223.3 million on June 30, 2026. The increase was driven primarily by a $62.9 million increase in deferred inflows related to OPEB, resulting from changes in assumptions of $63.3 million and changes in proportion and contributions during the measurement period of $0.4 million.

Net Position

Total net position increased $161.0 million, or 20.7%, to $939.1 million on June 30, 2026. Net investment in capital assets increased $13.7 million as ongoing capital additions and construction activity exceeded the effects of depreciation/amortization and related debt activity.

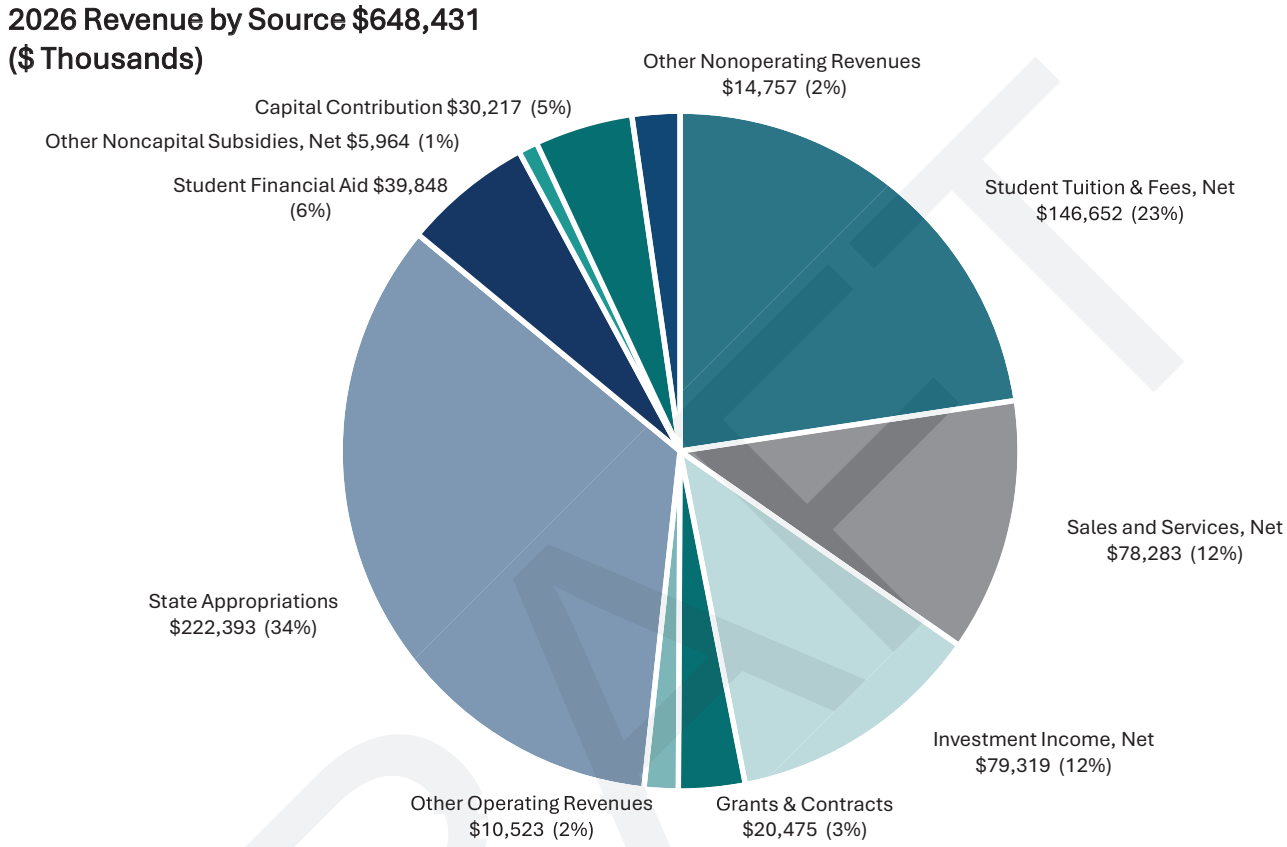
A significant component of the University's restricted net position is attributable to endowment funds. Endowment-related net position increased $70.6 million to $249.0 million on June 30, 2026, driven primarily by $63.4 million of investment earnings generated by the UNC Investment Fund and $14.7 million of new endowment contributions, partially offset by spending distributions and administrative fees totaling $8.5 million. This overall increase in endowment-related net position was the primary driver of the University's $51.7 million increase in restricted expendable net position and $14.8 million increase in restricted nonexpendable net position.

Unrestricted net position improved by $80.8 million, increasing from a deficit of $48.1 million to a positive balance of $32.7 million. The improvement was driven largely by a $119.0 million reduction in the University's net pension and OPEB liabilities, reflecting changes in actuarial and plan-related assumptions recognized through the pension and OPEB reporting models. These favorable changes were partially offset by decreases in related deferred outflows of resources of $35.6 million and a $62.9 million increase in OPEB-related deferred inflows. Unrestricted cash balances also increased $59.9 million during the year primarily due to $15.8 million of Short-Term Investment Fund earnings, $12.6 million of capital grant receipts, a $7.2 million increase in net tuition-related cash collections, and $6.4 million of collections on outstanding pledges.

Operating Revenues

Operating revenues increased $19.8 million, or 7.2%, to $295.8 million during fiscal year 2026. The increase was driven primarily by growth in student tuition and fees revenue of $13.0 million and sales and services revenue of $8.5 million. Tuition and fee revenue increased as enrollment grew by 1,047 students, or 5.6%, from 18,848 students in fiscal year 2025 to 19,895 students in fiscal year 2026. The increase also reflected a 6.0% increase in nonresident undergraduate and graduate tuition rates

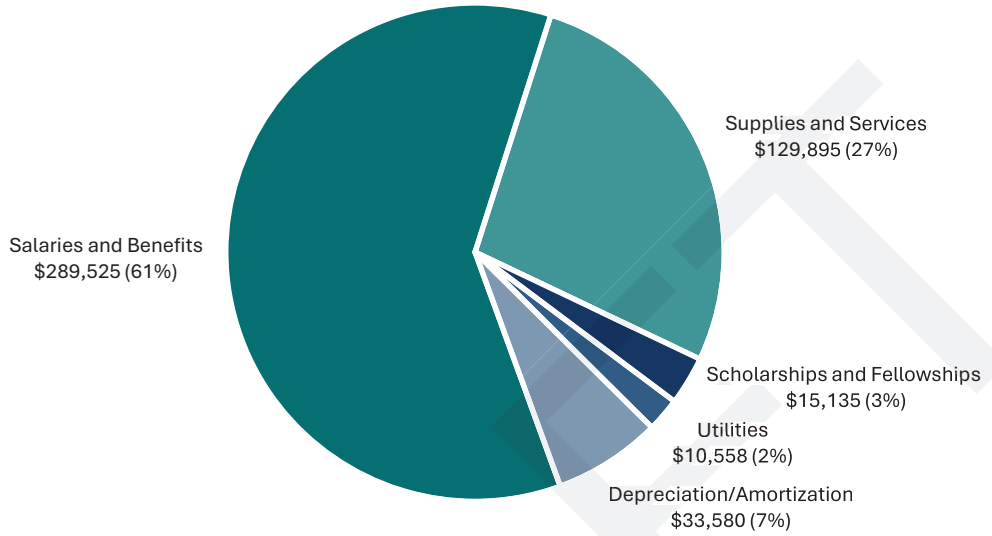
and a $15.00 increase in mandatory fee rates. Sales and services revenue similarly benefited from enrollment growth, with housing and residential revenues increasing $4.9 million and food service revenues increasing $2.6 million.



Operating Expenses

Operating expenses decreased $4.4 million, or 0.9%, to $478.7 million during fiscal year 2026. The decrease was driven primarily by a $16.4 million reduction in salaries and benefits expense resulting from lower pension and OPEB expense recognized during the year due to changes in actuarially determined pension and OPEB costs. This decrease was partially offset by an $8.0 million increase in supplies and services expense associated with higher operating activity and enrollment growth, a $2.9 million increase in depreciation/amortization expense attributable to recently completed capital projects being placed into service. As a result of revenue growth and lower operating expenses, the University's operating loss improved by $24.1 million, or 11.6%, from $207.1 million in fiscal year 2025 to $182.9 million in fiscal year 2026.

2026 Operating Expense by Nature $478,693
($ Thousands)



Noncapital Subsidies

Noncapital subsidies decreased $26.1 million, or 10.3%, to $228.4 million during fiscal year 2026. The decrease was driven primarily by a $27.7 million reduction in noncapital contributions. Noncapital contributions declined largely because fiscal year 2025 included two significant restricted gifts totaling $22.5 million that did not recur in fiscal year 2026, as well as a general decrease in current-year gift activity.

Other Nonoperating Revenues and Expenses

Other nonoperating revenues increased $69.4 million, or 150.0%, to $115.6 million during fiscal year 2026. The increase was driven primarily by a $47.6 million year-over-year increase in net investment income. Of this increase, $43.9 million was attributable to improved realized and unrealized endowment investment results, while $3.7 million resulted from higher earnings on University cash balances invested in the State Treasurer's Short-Term Investment Fund.

Capital contributions increased $12.6 million as construction activity accelerated on several significant campus projects during fiscal year 2026. The University received $21.6 million of capital support for several significant projects including Cameron Hall ($6.0 million), Coastal and Marine Studies facilities ($4.8 million), the Integrated Science and Technology building ($4.0 million), DeLoach Hall ($3.6 million), and Kenan Auditorium ($3.2 million). By comparison, the only significant capital contribution received in fiscal year 2025 was $7.7 million related to the Randall Library Renovation and Expansion project.

Additions to endowments increased $10.3 million, primarily due to five significant gifts totaling $10.8 million received during fiscal year 2026, compared to two significant gifts totaling $1.0 million received during fiscal year 2025.

Significant Capital Asset and Long-Term Financing Activity

The University had $887.8 million invested in capital assets on June 30, 2026, as reported in the table below, an increase of $20.3 million from 2025.

Capital Assets Net of Depreciation
June 30, as Indicated

	2026	2025	Change
Land	$ 15,951,353	$ 15,951,353	$ -
Art, Literature, and Artifacts	2,041,789	2,036,789	5,000
Construction In Progress	41,174,062	12,197,737	28,976,325
Buildings, Net	720,331,983	729,253,219	(8,921,236)
Machinery and Equipment, Net	35,894,586	34,184,882	1,709,704
General Infrastructure, Net	59,901,609	61,784,740	(1,883,131)
RTU Leased Buildings, Net	3,980,728	4,375,714	(394,986)
RTU Leased Machinery and Equipment, Net	239,171	450,823	(211,652)
RTU Subscription Assets, Net	8,258,508	7,228,319	1,030,189
Total Capital Assets	$ 887,773,789	$ 867,463,576	$ 20,310,213

Capital assets, net, increased $20.3 million during fiscal year 2026 as the University continued to advance several major construction and renovation projects. Construction in progress increased $29.0 million, driven primarily by expenditures for the Student Housing Village - Phase III project ($13.3 million), the Center for Marine Science Research Vessel ($4.3 million), the Suites Building Exterior project ($3.0 million), the Coastal Marine Studies project ($2.0 million), Cameron Hall construction project ($1.5 million), and various other campus projects.

Depreciable capital assets decreased $8.7 million during fiscal year 2026 as depreciation on buildings exceeded additions from projects completed and placed into service during the year. The University completed several building improvement projects totaling $4.6 million, including projects at Alderman Hall, King Hall, the Cultural Arts Building, and Hoggard Hall. However, depreciation expense related to buildings of $13.4 million exceeded current-year additions, resulting in an $8.9 million decrease in buildings, net.

On June 30, 2026, the University had capital commitments of approximately $84.2 million related primarily to the Student Housing Village - Phase III project, compared with approximately $7.0 million on June 30, 2025. The increase primarily reflects outstanding construction commitments associated with the Student Housing Village - Phase III project. See Note 6 and Note 17 for additional information.

To support ongoing capital construction activity related to the Student Housing Village - Phase III project, the University issued $74.6 million of bonds from direct placements during fiscal year 2026. This borrowing was partially offset by approximately $11.5 million in principal repayments. As a result, the University's bonds and similar debt increased $62.2 million to $252.0 million on June 30, 2026. The University did not experience significant changes in its credit ratings or debt limitations during fiscal year 2026. Other than the activity described above, the University did not

enter into any significant new leases, public-private partnerships, or subscription-based information technology arrangements during the year.

For additional information on capital assets and long-term financing activity, see Notes 6, 9, and 10 of the financial statements.

Currently Known Facts, Decisions, or Conditions

The University of North Carolina Wilmington, the state's coastal university, integrates teaching and mentoring with research and service. UNCW's commitment to student engagement, creative inquiry, critical thinking, thoughtful expression, and civic responsibility defines the student experience. Graduates of our undergraduate, master's and doctoral programs are prepared to serve the needs of local, state, and global communities. The University continues to experience strong student demand. Freshman applications totaling 22,359 for fall 2025 led to freshman enrollment of 3,109, up from 2,756 in the prior year. Total enrollment increased to 19,895 for fall 2025, reflecting continued interest in the University's academic programs and supporting future revenues from tuition, fees, housing, dining, and other student-related activities. Preliminary fall 2026 data indicates freshman applications of 22,621, freshman enrollment of 3,364, and total enrollment of 20,556.

To support continued enrollment growth and operational needs, UNCW requested recurring budget adjustments of $12.8 million for fiscal year 2027, including $12.3 million for enrollment growth and $0.5 million for performance-based funding, as well as an additional $5.2 million nonrecurring enrollment growth allocation.

To support current and future enrollment demand, the University continues to invest in facilities, academic programs, and student support initiatives while supporting educational, workforce, and research needs across North Carolina and the surrounding region. Areas of emphasis include healthcare, nursing, coastal and marine sciences, and other disciplines aligned with student demand and workforce trends. Notably, the University has begun formal planning for a School of Medicine to help address critical physician shortages in southeastern North Carolina. If established, it would be North Carolina's first new public medical school in more than 50 years. These investments are intended to enhance student experience, expand academic and research opportunities, maintain critical facilities, and support future enrollment, research activity, and external funding opportunities.

UNCW participates in the fixed tuition program established by North Carolina General Statute 116-143.9, under which resident undergraduate students are guaranteed a fixed tuition rate for four years based on the rate in effect when they first enroll. For the freshman class entering in fall 2026, resident undergraduate tuition increased by $133, or 3%. Tuition for continuing, eligible resident undergraduate students remained fixed at their cohort rates. Tuition also increased by $678 for nonresident undergraduate students, $168 for resident graduate students, and $679 for nonresident graduate students, with each representing a 3% increase. The additional revenue will support strategic investments in academic program expansion, employee compensation, library operations, student support services, and campus safety.

Capital construction activity remains a significant area of focus. During fiscal year 2026, construction commenced on Student Housing Village - Phase III, an approximately 120,000 square foot, 550-bed residence hall expected to be completed in fiscal year 2027. The project is intended to

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expand on-campus housing capacity and accommodate student demand. The University also continued planning and construction activities related to several campus facilities, including projects involving Cameron Hall, DeLoach Hall, Kenan Auditorium, and other academic and support facilities.

The University continues to monitor factors that may affect future financial operations, including economic conditions, inflationary pressures, state appropriations, and investment market performance. Management remains committed to balancing long-term capital needs with prudent financial management and will continue to evaluate future capital investments based on enrollment trends, strategic priorities, operational needs, and available funding sources.

This financial report is designed to provide our students, citizens, investors, and creditors with a general overview of the University's finances and demonstrate accountability of all funds. Contact the Controller's Office at (910) 962-3144 for additional financial information or access the Controller's Office web page at http://www.uncw.edu/controller/ financial_reports.html.

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Financial Statements

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

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	296,100,448
Restricted Cash and Cash Equivalents		54,396,433
Receivables, Net (Note 5)		17,019,498
Due from Primary Government		34,884
Inventories		664,565
Prepaid Items		19,955
Notes Receivable, Net (Note 5)		178,189
Leases Receivable (Note 10)		328,664
Total Current Assets		368,742,636
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		119,078,626
Receivables, Net (Note 5)		11,585,202
Endowment Investments		232,785,457
Notes Receivable, Net (Note 5)		573,286
Leases Receivable (Note 10)		1,144,611
Net Other Postemployment Benefits Asset		623,747
Capital Assets - Nondepreciable (Note 6)		59,167,204
Capital Assets - Depreciable, Net (Note 6)		828,606,585
Total Noncurrent Assets		1,253,564,718
Total Assets		1,622,307,354
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding		4,217,197
Deferred Outflows Related to Pensions		26,213,974
Deferred Outflows Related to Other Postemployment Benefits (Note 15)		77,405,029
Total Deferred Outflows of Resources		107,836,200
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 8)		12,276,799
Deposits Payable		48,661
Funds Held for Others		231,068
Unearned Revenue		20,664,910
Interest Payable		1,779,102
Long-Term Liabilities - Current Portion (Note 9)		19,038,378
Total Current Liabilities		54,038,918

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

Noncurrent Liabilities:	
Funds Held for Others	823,023
Unearned Revenue	1,706,984
U.S. Government Grants Refundable	147,820
Long-Term Liabilities, Net (Note 9)	511,038,612
Total Noncurrent Liabilities	513,716,439
Total Liabilities	567,755,357
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Under Public-Private Partnerships (Note 7)	116,169,953
Deferred Gain on Refunding	288,698
Deferred Inflows Related to Pensions	1,883,030
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	103,333,320
Deferred Inflows for Leases	1,607,740
Total Deferred Inflows of Resources	223,282,741
NET POSITION	
Net Investment in Capital Assets	562,700,653
Restricted:	
Nonexpendable:	
True Endowments	106,952,904
Student Loans and Other	409,931
Total Restricted-Nonexpendable Net Position	107,362,835
Expendable:	
Scholarships, Research, Instruction, and Other	165,152,849
Student Loans	1,345,251
Capital Projects	69,847,725
Total Restricted-Expendable Net Position	236,345,825
Unrestricted	32,696,143
Total Net Position	$ 939,105,456

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

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

Exhibit A-2

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 12)	$ 146,652,351
Student Financial Aid	39,848,468
Federal Grants and Contracts	9,800,556
State and Local Grants and Contracts	4,746,663
Nongovernmental Grants and Contracts	5,927,359
Sales and Services, Net (Note 12)	78,282,983
Other Operating Revenues	10,522,821
Total Operating Revenues	295,781,201
OPERATING EXPENSES	
Salaries and Benefits	289,525,543
Supplies and Services	129,895,062
Scholarships and Fellowships	15,135,177
Utilities	10,557,616
Depreciation/Amortization	33,579,805
Total Operating Expenses	478,693,203
Operating Loss	(182,912,002)
NONCAPITAL SUBSIDIES	
State Appropriations	222,392,873
State Aid	2,389,459
Noncapital Contributions, Net (Note 12)	3,574,708
Total Noncapital Subsidies	228,357,040
Operating Loss and Noncapital Subsidies	45,445,038
OTHER NONOPERATING REVENUES (EXPENSES)	
Investment Income (Net of Investment Expense of $483,548)	79,319,315
Expenses Related to Financing Related to Debt	(8,563,803)
Revenues Related to Financing other than Debt	11,116
Loss from the Disposal of Capital Assets	(136,311)
Capital Contributions	30,216,845
Additions to Endowments	14,745,665
Total Other Nonoperating Revenues	115,592,827
Increase in Net Position	161,037,865
NET POSITION	
Net Position - July 1, 2025	778,067,591
Net Position - June 30, 2026	$ 939,105,456

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

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	260,270,370
Payments to Employees and Fringe Benefits		(308,644,179)
Payments to Vendors and Suppliers		(141,993,255)
Payments for Scholarships and Fellowships		(15,135,177)
Loans Issued		(13,806)
Collection of Loans		149,547
William D. Ford Direct Lending Receipts		75,175,925
William D. Ford Direct Lending Disbursements		(75,175,925)
Interest Earned on Loans		5,096
Related Activity Agency Receipts		57,087,601
Related Activity Agency Disbursements		(57,281,056)
Other Receipts		1,974,061
Net Cash Used by Operating Activities		(203,580,798)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Student Financial Aid		39,712,679
State Appropriations		222,392,873
State Aid		2,389,459
Noncapital Contributions		4,324,384
Additions to Endowments		14,745,665
Cash Provided by Noncapital Financing Activities		283,565,060
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Debt		74,550,000
Capital Contributions		30,148,377
Proceeds from Sale of Capital Assets		6,056
Proceeds from Lease Arrangements		420,310
Acquisition and Construction of Capital Assets		(38,856,650)
Principal Paid on Capital Debt and Lease/Subscription Liabilities		(18,816,900)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities		(8,570,524)
Net Cash Provided by Capital Financing and Related Financing Activities		38,880,669
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		540,686
Investment Income		15,760,319
Purchase of Investments and Related Fees		(466,637)
Net Cash Provided by Investing Activities		15,834,368
Net Increase in Cash and Cash Equivalents		134,699,299
Cash and Cash Equivalents - July 1, 2025		334,876,208
Cash and Cash Equivalents - June 30, 2026	$	469,575,507

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(182,912,002)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Student Financial Aid		(39,848,468)
Depreciation/Amortization Expense		33,579,805
Lease Income (Amortized Deferred Inflows of Resources)		(398,655)
Allowances and Write-Offs		(39,941)
Other Nonoperating Income		141,407
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		10,145,136
Due from Primary Government		(34,884)
Inventories		(66,381)
Notes Receivable, Net		205,162
Prepaid Items		(19,955)
Net Other Postemployment Benefits Asset		(314,308)
Deferred Outflows Related to Pensions		11,032,759
Deferred Outflows Related to Other Postemployment Benefits		24,526,102
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		(1,252,070)
Funds Held for Others		(193,455)
Unearned Revenue		(1,175,520)
Net Pension Liability		(13,355,920)
Net Other Postemployment Benefits Liability		(105,600,363)
Compensated Absences		(171,881)
Deposits Payable		759
Workers' Compensation Liability		7,555
Deferred Inflows Under Public-Private Partnerships		(2,402,265)
Deferred Inflows Related to Pensions		1,670,482
Deferred Inflows Related to Other Postemployment Benefits		62,896,103
Net Cash Used by Operating Activities	$	(203,580,798)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	9,051,120
Assets Acquired through a Gift		68,468
Change in Fair Value of Investments		63,558,996
Loss from the Disposal of Capital Assets		(314,747)
Amortization of Bond Premiums		(1,012,268)
Amortization of Deferred Loss on Refunding		197,075
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions		(2,598)

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

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

Exhibit B-1

	Other Funds
ASSETS	
Cash and Cash Equivalents	$ 4,653,743
Total Assets	4,653,743
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	-
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Restricted for:	
Affiliated Organizations	4,653,743
Total Fiduciary Net Position	$ 4,653,743

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

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

Exhibit B-2

	Other Funds
ADDITIONS	
Contributions:	
Affiliated Organizations	$ 5,545,035
Investment Activity:	
Investment Income	208,569
Total Additions	5,753,604
DEDUCTIONS	
Withdrawals and Distributions	5,755,693
Decrease in Fiduciary Net Position	(2,089)
NET POSITION	
Net Position - July 1, 2025	4,655,832
Net Position - June 30, 2026	$ 4,653,743

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

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Notes to the Financial Statements

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

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

Blended Component Units - Although legally separate, the UNCW Corporation (Corporation), the UNCW Corporation II (Corporation II), the UNCW Research Foundation (Research Foundation), and the Donald R. Watson Foundation, Inc. (Watson Foundation), component units of the University, are reported as if they were part of the University.

The Corporation was organized to enhance the University of North Carolina Wilmington's educational mission, including overseeing and assisting in the acquisition and financing of capital assets for the University. The Corporation is a public not-for-profit organization that reports its financial results under Governmental Accounting Standards Board (GASB) Statements. The Corporation is governed by a six-member board of which three are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Corporation II includes the activities of the single member entities, UNCW Corporation Real Property I, LLC (Real Property), and UNCW Corporation College Station, LLC (College Station). The Corporation II was organized to enhance the University of North Carolina Wilmington's educational mission, including constructing or managing facilities for the University. These entities acquire real property that is used solely by the University for auxiliary support, off-campus parking, or other agreed upon activities. The Corporation II is a public not-for-profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Corporation II is governed by a seven-member board of which four are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation II's sole

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purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Research Foundation includes the activities of the single member entities, UNCW Corporation Research I, LLC, MARBIONC Development Group, LLC, The CREST Millennial Campus, LLC, the UNCW Center for Innovation and Entrepreneurship, LLC, and the UNCW Innovation Coalition Corporation. The Research Foundation was organized to enhance the University of North Carolina Wilmington's educational mission. These entities, through collaborative research relationships, pursue commercialization opportunities and the economic development of research discoveries, materials, and intellectual properties for the benefit of the University. The Research Foundation is a public not-for-profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Research Foundation is governed by a four-member board, all of which are delegates of the University. As the Research Foundation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Watson Foundation was organized to support charitable, religious, scientific, and educational institutions located in the State of North Carolina provided that each supported organization is tax exempt and eligible to receive charitable donations. The Watson Foundation is a public not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from that of GASB. The financial statement format of the Watson Foundation was modified to make it compatible with the University's financial statement format. The Watson Foundation is governed by a five-member board of which three are appointed by the Board of Trustees, and two are appointed by the benefactor. Because a majority of the directors of the Watson Foundation are appointed by the members of the University of North Carolina Wilmington's Board of Trustees and the Watson Foundation's primary purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

Separate financial statements for the Corporation, the Corporation II, the Research Foundation, and the Watson Foundation may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5918, or by calling 910-962-3139. Condensed combining information regarding blended component units is provided in Note 19.

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

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

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Fiduciary Fund - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of affiliated organizations. Custodial funds include resources held on behalf of four separately incorporated nonprofit foundations associated with the University. See Note 18 for detailed information regarding the nature of the fiduciary activities.

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

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

Nonexchange transactions are those in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange. In accordance with GASB Statement No. 103, *Financial Reporting Model Improvements,* nonexchange transactions that directly or indirectly keep the University's student fees and charges lower than they would be otherwise are classified as noncapital subsidies. Noncapital subsidies, such as state appropriations and donations for scholarships, are reported separately from other nonoperating activities immediately following operating loss to establish a combined "Operating Loss and Noncapital Subsidies" subtotal. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, 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. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported.

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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

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

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

The University capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the $5,000 threshold are capitalized when significant. The University evaluates the effectiveness of the threshold for capitalization of machinery and equipment and determines the amounts under the threshold that are considered significant for financial statement reporting purposes to be capitalized.

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

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery and Equipment	2-50 years
General Infrastructure	10-50 years

The Randall Library Special collection is capitalized at cost or acquisition value at the date of donation. The collection is considered inexhaustible and is therefore not depreciated.

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 $30,000 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 $30,000 or greater and an estimated useful life of more than one year.

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

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

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

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

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

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

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

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2025 *Annual Comprehensive Financial Report.* This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2025 *Annual Comprehensive Financial*

Report. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 15 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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

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

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

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

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

Proprietary Fund

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

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

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

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

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

Fiduciary Fund

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

O. **Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. In accordance with GASB Statement No. 103, *Financial Reporting Model Improvements*, student financial assistance grants, such as Pell Grants, and other federal and state need-based grants are recorded as operating revenue in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount. The University utilizes the National Association of College and University Business Officers (NACUBO) guidelines for calculating the allocation of the scholarship discounts to tuition and fees revenues and auxiliary service revenues, which is based on an analysis of individual student account charges and financial aid payments from the student management information system.

P. **Revenue and Expense Recognition** - The University distinguishes operating revenues and expenses from noncapital subsidies, and other nonoperating revenues and expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. As defined by GASB 103, *Financial Reporting Model Improvements*, nonoperating revenues and

expenses include: (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues (expenses) related to financing, (4) resources (loss) from the disposal of capital assets, and (5) investment income and expenses.

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

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

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

Note 2 - Deposits and Investments

A. **Deposits** - Unless specifically exempt, the University is required by N.C.G.S. §147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to N.C.G.S. §116-36.1(h), may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Per N.C.G.S. § 116-36.2(b), special funds include moneys for intercollegiate athletics and funds held directly by the University as a fiscal agent for individual students, faculty, staff members, and organizations.

At June 30, 2026, the amount shown on the Statement of Net Position as cash and cash equivalents includes $466,438,867 for the proprietary fund and $4,653,743 for the fiduciary fund, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted

average maturity of 2.2 years as of June 30, 2026. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

Cash on hand at June 30, 2026 was $34,655. The carrying amount of the University's deposits not with the State Treasurer was $3,101,985, and the bank balance was $3,091,788. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2026, the University's bank balance exposed to custodial credit (amounts that are uninsured and uncollateralized) was $2,769,275.

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

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

N.C.G.S. §147-69.1(c), applicable to the State's General Fund, and N.C.G.S. §147-69.2(b), applicable to institutional trust funds deposited with the State Treasurer pursuant to N.C.G.S. § 116-36.1, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain government-sponsored banks; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts; corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

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

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

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Investments of the University's component unit, the Watson Foundation, are subject to and restricted by Chapter 36E of the North Carolina General Statutes, otherwise known as the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and any requirements placed on them by contract or donor agreements.

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

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

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University's formal policy is designed to reduce interest rate risk. The policy permits investments in high quality instruments of limited duration (up to 24 months). Permitted investments are United States (U.S.) Treasury Bills, Notes, and Bonds (backed by the full faith and credit of the U.S.), Bank Certificates of Deposit (Federal Deposit Insurance Corporation Insured), U.S. Government Money Market Funds (AAA), and the State Treasurer's STIF.

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 unit value method. Under this method, the pool uses a unit basis to determine each participating fund's market value and to determine the fund's earnings. 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, the pooled investments subject to interest rate risk were all held with the UNC Investment Fund, LLC.

UNC Investment Fund, LLC - At June 30, 2026, the University's investments include $231,008,133, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments - The following table presents investments by type and investments subject to interest rate risk at June 30, 2026, for the University's non-pooled investments.

Non-Pooled Investments

		Investment Maturities (in Years)		
	Amount	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
Debt Mutual Funds	$ 415,746	$ -	$ 108,581	$ 307,165
Money Market Mutual Funds	17,880	17,880	-	-
Total Debt Securities	433,626	$ 17,880	$ 108,581	$ 307,165
Other Securities				
Equity Mutual Funds	1,343,698			
Total Non-Pooled Investments	$ 1,777,324			

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

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	$ 415,746	$ 115,829	$ 139,824	$ 46,122	$ 58,269	$ 45,878	$ 9,824
Money Market Mutual Funds	17,880	-	-	-	-	-	-
Totals	$ 433,626	$ 115,829	$ 139,824	$ 46,122	$ 58,269	$ 45,878	$ 9,824

Rating Agency: Standard & Poor's

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

	Amount
Investment Type	
Debt Securities	
Debt Mutual Funds	$ 415,746
Money Market Mutual Funds	17,880
Other Securities	
UNC Investment Fund	231,008,133
Equity Mutual Funds	1,343,698
Total Investments	$ 232,785,457

Note 3 - Fair Value Measurements

To the extent available, the University's investments are recorded at fair value as of June 30, 2026. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price

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information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

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

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

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

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	$ 415,746	$ 415,746	$ -	$ -
Money Market Mutual Funds	17,880	17,880	-	-
Total Debt Securities	433,626	433,626	-	-
Other Securities				
Equity Mutual Funds	1,343,698	1,343,698	-	-
Total Investments by Fair Value Level	1,777,324	$ 1,777,324	$ -	$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	466,438,867			
UNC Investment Fund	231,008,133			
Total Investments as a Position in an External Investment Pool	697,447,000			
Total Investments Measured at Fair Value	$ 699,224,324			

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.

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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.

Note 4 - Endowment Investments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under Chapter 36E of the North Carolina General Statutes, otherwise known as the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements.

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 fund are based on an adopted spending policy which limits spending to 4.5% of the average market value of the endowment over three previous years. To the extent that the total return for current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2026, net appreciation of $139,055,422 was available to be spent, of which $125,803,514 was classified in net position as it is restricted, expendable for specific purposes, including scholarships, research, instruction, and other uses. The remaining portion of net appreciation available to be spent is classified as unrestricted net position. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

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Note 5 - Receivables

Receivables at June 30, 2026, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 2,991,364	$ 505,831	$ 2,485,533
Accounts	4,589,197	-	4,589,197
Intergovernmental	2,909,694	-	2,909,694
Pledges	7,155,109	138,613	7,016,496
Interest on Loans	10,051	-	10,051
Other	8,527	-	8,527
Total Current Receivables	$ 17,663,942	$ 644,444	$ 17,019,498
Noncurrent Receivables:			
Pledges	$ 11,801,366	$ 216,164	$ 11,585,202
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 96,050	$ 5,559	$ 90,491
Institutional Student Loan Programs	87,698	-	87,698
Total Notes Receivable - Current	$ 183,748	$ 5,559	$ 178,189
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 164,622	$ 16,462	$ 148,160
Institutional Student Loan Programs	425,126	-	425,126
Total Notes Receivable - Noncurrent	$ 589,748	$ 16,462	$ 573,286

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Note 6 - Capital Assets

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

	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2026
Capital Assets, Nondepreciable:				
Land	$ 15,951,353	$ -	$ -	$ 15,951,353
Art, Literature, and Artifacts	2,036,789	5,000	-	2,041,789
Construction in Progress	12,197,737	33,920,588	4,944,263	41,174,062
Total Capital Assets, Nondepreciable	30,185,879	33,925,588	4,944,263	59,167,204
Capital Assets, Depreciable:				
Buildings	966,457,328	4,435,171	-	970,892,499
Machinery and Equipment	99,437,359	11,203,964	3,498,161	107,143,162
General Infrastructure	88,239,687	509,092	-	88,748,779
Right-to-Use Leased Buildings	5,868,221	2,615,337	213,714	8,269,844
Right-to-Use Leased Machinery and Equipment	1,187,602	-	430,935	756,667
Right-to-Use Subscription Assets	20,473,802	6,602,243	3,972,130	23,103,915
Total Capital Assets, Depreciable	1,181,663,999	25,365,807	8,114,940	1,198,914,866
Less Accumulated Depreciation/Amortization for:				
Buildings	237,204,109	13,356,407	-	250,560,516
Machinery and Equipment	65,252,477	9,037,146	3,041,047	71,248,576
General Infrastructure	26,454,947	2,392,223	-	28,847,170
Right-to-Use Leased Buildings	1,492,507	3,010,323	213,714	4,289,116
Right-to-Use Leased Machinery and Equipment	736,779	211,652	430,935	517,496
Right-to-Use Subscription Assets	13,245,483	5,572,054	3,972,130	14,845,407
Total Accumulated Depreciation/Amortization	344,386,302	33,579,805	7,657,826	370,308,281
Total Capital Assets, Depreciable, Net	837,277,697	(8,213,998)	457,114	828,606,585
Capital Assets, Net	$ 867,463,576	$ 25,711,590	$ 5,401,377	$ 887,773,789

As of June 30, 2026, the total amount of right-to-use leased was $9,026,511, and the related accumulated amortization was $4,806,612.

Note 7 - Public-Private Partnership for Student Housing Facility

The University entered an agreement on December 20, 2018, with CHF-Wilmington, LLC (CHF) to construct and operate a Student Housing Facility. The University entered into this agreement to address a shortage of student housing caused by enrollment growth yet avoid the issuance of debt. The Student Housing Facility consists of a 1,038-bed, two-building student housing facility completed in the Fall of 2020 ("Phase I") and a 776-bed, two-building student housing facility completed in the Fall of 2021 (Phase II). The project is on property located on the campus of the University of North Carolina Wilmington and leased to CHF for 50 years. Upon final payment of all indebtedness owed under the agreement, CHF will transfer all of its interest in the facility for no cost to the University. The agreement meets the definition of a service concession arrangement, as defined in GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. As a result, the University reports the project as a capital asset and a related deferred inflow of resources. The University also reports the student housing facility as a capital asset with a carrying amount of $124,864,649 at year-end and a related deferred inflow of resources of $116,169,953. The net effect of this arrangement is reflected in the Statement of Net Position as an increase to net investment in capital assets of $8,694,696.

The student housing facility is managed by the University under the terms of the management agreement. The University operates the facility with budgetary oversight from CHF.

Note 8 - Accounts Payable and Accrued Liabilities

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

	Amount
Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 2,863,503
Accounts Payable - Capital Assets	7,265,850
Accrued Payroll	1,091,371
Contract Retainage	314,917
Intergovernmental Payables	741,158
Total Accounts Payable and Accrued Liabilities	$ 12,276,799

Note 9 - Long-Term Liabilities

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

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 70,560,000	$ -	$ 1,765,000	$ 68,795,000	$ 1,860,000
Limited Obligation Bonds	86,655,000	-	5,565,000	81,090,000	5,790,000
Bonds from Direct Placements	11,279,000	74,550,000	3,176,000	82,653,000	2,489,000
Plus: Unamortized Premium	14,773,567	-	1,012,268	13,761,299	-
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net	183,267,567	74,550,000	11,518,268	246,299,299	10,139,000
Notes from Direct Borrowings	6,536,240	-	799,441	5,736,799	841,529
Total Long-Term Debt	189,803,807	74,550,000	12,317,709	252,036,098	10,980,529
Other Long-Term Liabilities					
Arbitrage Rebate Payable	42,013	122,969	-	164,982	164,982
Lease Liabilities	5,492,751	2,615,337	2,817,756	5,290,332	4,001,316
Subscription (SBITA) Liabilities	4,961,941	6,435,783	4,693,703	6,704,021	3,233,789
Employee Benefits					
Compensated Absences	12,305,298	10,066,478	10,238,359	12,133,417	421,277
Net Pension Liability	71,900,893	-	13,355,920	58,544,973	-
Net Other Postemployment Benefits Liability	300,017,846	-	105,602,961	194,414,885	-
Workers' Compensation	780,727	433,793	426,238	788,282	236,485
Total Other Long-Term Liabilities	395,501,469	19,674,360	137,134,937	278,040,892	8,057,849
Total Long-Term Liabilities, Net	$ 585,305,276	$ 94,224,360	$ 149,452,646	$ 530,076,990	$ 19,038,378

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

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

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Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2026
Revenue Bonds Payable					
UNCW General Revenue Bonds					
Parking Deck	2019	3.0% - 5.0%	04/01/2049	$ 21,350,000	$ 21,350,000
Refund 2010 and 2010D; Dining Facility (2019B)	2019B	2.25% - 5.0%	10/01/2049	41,395,000	38,130,000
Refund 2010C	2020A	5.0%	10/01/2026	11,180,000	1,045,000
Recreational Fields and Facilities	2021	4.0%	10/01/2050	8,420,000	8,270,000
Total UNCW General Revenue Bonds				82,345,000	68,795,000
Limited Obligation Bonds					
Student Housing-Seahawk Village & Seahawk Landing	2015	3.0% - 5.0%	06/01/2037	59,550,000	38,480,000
Student Housing-Seahawk Crossing & Parking Deck	2016	3.0% - 5.0%	06/01/2038	57,235,000	42,610,000
Total Limited Obligation Bonds				116,785,000	81,090,000
Bonds from Direct Placements					
Refund 2006A	2016	2.17%	10/01/2033	11,484,000	4,397,000
Refund 2011 and 2012	2020B	1.83%	01/01/2028	15,868,000	3,706,000
Student Housing Village - Phase III	2025	4.05%	10/01/2040	74,550,000	74,550,000
Total Bonds from Direct Placements				101,902,000	82,653,000
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements (principal only)				$ 301,032,000	232,538,000
Plus: Unamortized Premium					13,761,299
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net					$ 246,299,299

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

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2026
Energy Conservation Loan	Truist Bank	1.99%	03/01/2030	$ 4,542,387	$ 1,692,190
Energy Conservation Loan	The Huntington National Bank	3.42%	06/30/2033	6,846,011	3,386,208
Truist Hall	Truist Bank	2.99%	06/10/2029	1,014,649	658,401
Total Notes from Direct Borrowings				$ 12,403,047	$ 5,736,799

The University plans to refinance the notes maturing on June 10, 2029 with other long-term financing.

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

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	Annual Requirements							
	Revenue Bonds Payable		Limited Obligation Bonds		Bonds from Direct Placements		Notes from Direct Borrowings	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2027	$ 1,860,000	$ 2,688,688	$ 5,790,000	$ 3,308,875	$ 2,489,000	$ 3,181,926	$ 841,529	$ 163,469
2028	2,325,000	2,592,037	6,015,000	3,078,575	3,103,000	3,120,052	893,405	139,838
2029	2,435,000	2,476,012	6,280,000	2,807,525	1,500,000	3,039,150	940,424	114,861
2030	2,560,000	2,354,437	6,575,000	2,524,425	1,788,000	2,981,452	1,544,776	74,456
2031	2,680,000	2,226,988	6,810,000	2,282,425	2,094,000	2,911,932	509,290	47,552
2032-2036	15,365,000	9,165,519	38,600,000	6,858,175	10,644,000	13,355,943	1,007,375	41,781
2037-2041	19,040,000	5,584,525	11,020,000	510,700	61,035,000	10,270,699	-	-
2042-2046	12,490,000	2,932,700	-	-	-	-	-	-
2047-2051	10,040,000	742,900	-	-	-	-	-	-
Total Requirements	$ 68,795,000	$ 30,763,806	$ 81,090,000	$ 21,370,700	$ 82,653,000	$ 38,861,154	$ 5,736,799	$ 581,957

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

The outstanding **Revenue Bonds Payable** of $68,795,000 and **Bonds from Direct Placements** of $82,653,000 (together, "General Revenue Bonds") are limited obligations payable solely from available funds of the University or the Board held for the University. Available funds generally consist of University funds remaining after satisfaction of certain prior debt obligations and exclude State General Fund appropriations, student tuition payments, donor- or grant-restricted funds, revenues generated by Special Facilities, and funds restricted by law. Available funds are not pledged to the Trustee (The Bank of New York Mellon Trust Company, N.A.) but are the source from which principal and interest on the General Revenue Bonds are paid. The General Revenue Bonds contain provisions that, in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

The outstanding **Limited Obligation Bonds** (LOBs) of $81,090,000 are obligations of the UNCW Corporation secured by revenues which include rentals payable by the University under leases and use agreements on the facilities financed and refinanced with the LOBs. The LOBs are further secured by a deed of trust on the property financed and refinanced with the LOBs. The outstanding LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. Additionally, the bonds become immediately due and payable if an event of default occurs under the leases or use agreements or under the deed of trust. The Trustee may also take property secured under the deed of trust held as security, including foreclosure on the property held as security.

Notes from Direct Borrowings - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for UNC System Guaranteed Energy Savings Installment Financing Agreements in relation to the outstanding notes from direct borrowing of $5,078,398. These agreements also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of

receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days. Upon the occurrence of any event of default, the lender may declare the outstanding amount due and payable immediately. The lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys' fees incurred.

UNCW has one outstanding note from direct borrowing of $658,401 dated July 3, 2019, which is an obligation of UNCW Corporation Real Property I, LLC. It contains provisions that in the event of default, the lender may take any or all of the following actions: (1) declare all balances due immediately; (2) require additional pledged collateral; (3) take possession and foreclose upon the collateral; (4) exercise all rights and remedies available under the agreement or under applicable law; and (5) cease any obligation to advance funds.

Note 10 - Leases and Subscription-Based Information Technology Arrangements

A. Lessor Arrangements - The University leases buildings, land, and towers 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 ended June 30, 2026, the University recognized operating revenues related to lessor arrangements totaling $392,229, and nonoperating lease interest income totaling $6,426. During the year the University did not recognize any variable payment amounts.

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

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2026	Current Portion	Original Lease Terms	Interest Rate/ Ranges
Lessor:					
Land	1	$ 125,808	$ 28,868	9 years	1.5%
Buildings	2	232,393	112,899	3 years	2.7%
General Infrastructure	4	1,115,074	186,897	5 - 10 years	2.7% - 3.5%
Total	7	$ 1,473,275	$ 328,664		

B. Lessee Arrangements - The University has lease agreements for the right to use buildings and machinery and equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term. The expected payments are discounted using the interest rate stated per the lease contract, or the

University's estimated incremental borrowing rate if there is no stated contractual interest rate. During the year the University did not recognize any variable payment amounts.

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

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2026	Current Portion	Original Lease Terms	Interest Rate/ Ranges
Lessee:					
Right-to-Use Leased Buildings	5	$ 4,989,090	$ 3,822,257	2 - 25 years	2.5% - 3.5%
Right-to-Use Leased Machinery and Equipment	2	301,242	179,059	6 - 8 years	1.8%
Total	7	$ 5,290,332	$ 4,001,316		

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

Measurement of the subscription liability excluded the following variable payment amounts: payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of $51,065 for these changes in variable payments not previously included in the measurement of the subscription liability.

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

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2026	Current Portion	Original SBITA Terms	Interest Rate Ranges
Right-to-Use Subscription Assets	50	$ 6,704,021	$ 3,233,789	1 - 6 years	1.9%-3.5%

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

	Annual Requirements			
	Lease Liabilities		SBITA Liabilities	
Fiscal Year	Principal	Interest	Principal	Interest
2027	$ 4,001,316	$ 103,319	$ 3,233,789	$ 189,129
2028	493,246	24,307	2,517,815	97,959
2029	145,781	19,283	566,113	29,745
2030	30,216	15,784	386,304	11,666
2031	30,974	15,026	-	-
2032-2036	166,927	63,073	-	-
2037-2041	188,949	41,051	-	-
2042-2046	213,876	16,124	-	-
2047	19,047	118	-	-
Total Requirements	$ 5,290,332	$ 298,085	$ 6,704,021	$ 328,499

Note 11 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (34,214,029)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(220,255,038)
Effect on Unrestricted Net Position	(254,469,067)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	287,165,210
Total Unrestricted Net Position	$ 32,696,143

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

Net investment in capital assets has been significantly affected by a transaction that resulted in the acquisition of capital assets and the recognition of deferred inflows of resources as shown in the following table:

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	Amount
Carrying Value of Capital Assets Acquired Under Public-Private Partnership	$ 124,864,649
Deferred Inflows Under Public-Private Partnership	(116,169,953)
Net Effect on Net Investment in Capital Assets	8,694,696
Total Net Investment in Capital Assets Before Recognition of Public-Private Partnership	554,005,957
Total Net Investment in Capital Assets	$ 562,700,653

See Note 7 for detailed information regarding the amortization of the deferred inflows of resources under the public-private partnership.

Note 12 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 193,256,941	$ 46,175,922	$ 428,668	$ 146,652,351
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	$ 42,525,301	$ 6,551,381	$ 36,581	$ 35,937,339
Dining	27,922,295	5,308,593	18,595	22,595,107
Parking	5,550,046	-	3,022	5,547,024
Recreation Services	747,587	-	8,669	738,918
Bookstore	1,228,930	-	-	1,228,930
Other	4,559,143	-	39,077	4,520,066
Sales and Services of Education and Related Activities	7,719,985	-	4,386	7,715,599
Total Sales and Services, Net	$ 90,253,287	$ 11,859,974	$ 110,330	$ 78,282,983
Noncapital Subsidies				
Noncapital Contributions, Net	$ 3,553,371	$ -	$ (21,337)	$ 3,574,708

An error in the calculation of student tuition scholarship discounts and sales and services scholarship discounts for fiscal year 2025 was corrected. The correction decreased previously reported fiscal year 2025 student tuition and fees, net, by $21.0 million, sales and services, net, by $5.1 million, and scholarships and fellowships expense by $26.1 million. This correction had no effect on net position.

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Note 13 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 150,485,629	$ 26,872,218	$ 1,004,346	$ 117,521	$ -	$ 178,479,714
Research	15,559,659	7,657,413	343,615	-	-	23,560,687
Public Service	4,246,082	2,876,147	1,112,497	-	-	8,234,726
Academic Support	29,731,699	13,455,222	138,406	783	-	43,326,110
Student Services	14,184,135	4,606,887	207,715	455	-	18,999,192
Institutional Support	33,033,655	10,254,110	225,951	1,061	-	43,514,777
Operations and Maintenance of Plant	21,646,527	6,235,759	-	6,961,385	-	34,843,671
Student Financial Aid	-	-	10,446,844	-	-	10,446,844
Auxiliary Enterprises	20,638,157	57,937,306	1,655,803	3,476,411	-	83,707,677
Depreciation/Amortization	-	-	-	-	33,579,805	33,579,805
Total Operating Expenses	$ 289,525,543	$ 129,895,062	$ 15,135,177	$ 10,557,616	$ 33,579,805	$ 478,693,203

Note 14 - Retirement Plans

A. Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Unreduced retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's

contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by N.C.G.S. §135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2026 was 17.14% of covered payroll. Plan members' contributions to the pension plan were $5,878,251, and the University's contributions were $16,792,203 for the year ended June 30, 2026.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2025 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.ncosc.gov/ or by calling the State Controller's Financial Reporting Section at 919-707-0500.

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

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2025 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2026, the University reported a liability of $58,544,973 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, and update procedures were used to roll forward the total pension liability to June 30, 2025. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2025, the University's proportion was 0.49789%, which was an increase of 0.01262 from its proportion measured as of June 30, 2024, which was 0.48527%.

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

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

* Salary increases include 3.25% inflation and productivity 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, 2024 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 (the measurement date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2025 is 2.53%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2024 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2025 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$ 122,521,692	$ 58,544,973	$ 5,796,903

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2026, the University recognized pension expense of $16,123,155. At June 30, 2026, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 6,939,775	$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,883,030
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,481,996	-
Contributions Subsequent to the Measurement Date	16,792,203	-
Total	$ 26,213,974	$ 1,883,030

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

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

Year Ending June 30:	Amount
2027	$ 15,492,814
2028	(858,653)
2029	(4,198,766)
2030	(2,896,654)
Total	$ 7,538,741

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

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

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Participants contribute 6% of compensation and the University contributes 6.84%. For the year ended June 30, 2026, the University had a total payroll of $237,642,189, of which $107,982,173 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $6,478,930 and $7,385,981, respectively. The amount of pension expense recognized in the current year related to ORP is $6,784,599, equal to the employer contributions less forfeitures of $601,382.

Note 15 - Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2025 *Annual Comprehensive Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.ncosc.gov/ or by calling the State Controller's Financial Reporting Section at 919-707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2025 *Annual Comprehensive Financial Report.*

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select

local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

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

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

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

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

Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

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

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The University's contractually-required contribution rate for the year ended June 30, 2026 was 7.33% of covered payroll. The University's contributions to the RHBF were $15,096,356 for the year ended June 30, 2026.

In fiscal year 2024, the Plan transferred $10.3 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2026, the University recognized noncapital contributions for RHBF of $2,598.

2. Disability Income

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

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. Per N.C.G.S. § 135-106 an employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the

short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after: (1) reaching the age of 65 and completing five years of membership service; (2) reaching the age of 60 and completing 25 years of creditable service; or (3) completing 30 years of creditable service, at any age.

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

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

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

Contributions: Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2026 was 0.07% of covered payroll. The University's contributions to DIPNC were $144,167 for the year ended June 30, 2026.

C. Net OPEB Liability (Asset)

Retiree Health Benefit Fund: At June 30, 2026, the University reported a liability of $194,414,885 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024, and update procedures were used to roll forward the total OPEB liability to June 30, 2025. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2025, the University's proportion was 0.88453%, which was an increase of 0.00245 from its proportion measured as of June 30, 2024, which was 0.88208%.

Disability Income Plan of North Carolina: At June 30, 2026, the University reported an asset of $623,747 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2024, and update procedures were used to roll forward the total OPEB liability to June 30, 2025. The University's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2025, the University's proportion was 0.95450%, which was an increase of 0.01470 from its proportion measured as of June 30, 2024, which was 0.93980%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2025 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2024	12/31/2024
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug***	9.5% grading down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	9.77% grading down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	Premium adjustments for IRA impact through 2027, down to 5% by 2028	N/A
Healthcare Cost Trend Rate - Administrative***	-7.9% increasing to 3% by 2027	N/A

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return is net of OPEB plan investment expense, including inflation.
*** Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.
N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2025.

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

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

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2025 is 2.53%. The total return for the Bond Index Investment Pool is expected to exceed the assumed investment rate of return of 3% used to measure the total OPEB liability for DIPNC. As such, the investment rate of return of 3% includes a provision for adverse deviation.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that

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vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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

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

The actuarial assumptions used in the December 31, 2024 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 5.2% at June 30, 2025 compared to 3.93% at June 30, 2024. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 5.2% was used as the discount rate used to measure the total OPEB liability. The 5.2% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2025.

The discount rate used to measure the total OPEB liability for DIPNC was 3% at June 30, 2025 and at June 30, 2024. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

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

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Net OPEB Liability (Asset)			
	1% Decrease (4.2%)	Current Discount Rate (5.2%)	1% Increase (6.2%)
RHBF	$ 228,467,324	$ 194,414,885	$ 166,108,657

	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	$ (593,776)	$ (623,747)	$ (655,456)

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

Net OPEB Liability			
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Pharmacy Rebate - 4% - 8.77%, Med. Advantage - 0% - 4%, Administrative - (8.9)% to 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Pharmacy Rebate - 5% - 9.77%, Med. Advantage - 0% - 5%, Administrative - (7.9)% to 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Pharmacy Rebate - 6% - 10.77%, Med. Advantage - 0% - 6%, Administrative - (6.9)% to 4%)
RHBF	$ 161,833,626	$ 194,414,885	$ 234,973,714

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

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

OPEB Plan	Amount
RHBF	$ (3,244,992)
DIPNC	(6,356)
Total OPEB Expense	$ (3,251,348)

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

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 1,568,907	$ 97,426	$ 1,666,333
Changes of Assumptions	52,021,918	-	52,021,918
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	353,051	76,809	429,860
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	8,046,395	-	8,046,395
Contributions Subsequent to the Measurement Date	15,096,356	144,167	15,240,523
Total	$ 77,086,627	$ 318,402	$ 77,405,029

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ -	$ 284,470	$ 284,470
Changes of Assumptions	102,544,420	80,970	102,625,390
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	382,360	41,100	423,460
Total	$ 102,926,780	$ 406,540	$ 103,333,320

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, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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

Year Ending June 30:	RHBF	DIPNC
2027	$ (11,223,571)	$ (186,064)
2028	(1,290,508)	(54,437)
2029	(6,842,995)	7,230
2030	(21,579,436)	966
2031	1	-
Total	$ (40,936,509)	$ (232,305)

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Note 16 - Risk Management

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

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$10,000,000 per occurrence. The University pays premiums to the Office of State Fire Marshal for the coverage.

The University is required by UNC Policy 1300.12 – Policy on Insurance Coverage to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for fire and lightning coverage. Coverage for all remaining risks for all buildings and contents is charged to the University. Losses covered by the Fund are subject to a $50,000 per occurrence deductible unless the University has elected a higher deductible. Special deductibles apply for Wind/Hail and Earth Movement of $100,000 per occurrence. Flood has a special deductible of $100,000 unless the property subject to loss is in a high hazard flood zone in which case the deductible moves to $100,000 per location/$100,000 per business personal property.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $2,000,000 per claim and $6,000,000 in the aggregate per fiscal year via contract with private insurance companies. The University pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the University

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The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Policies include cyber, boiler and machinery, crime, oceanographic equipment, watercraft and watercraft pollution coverage, and professional liability.

Note 17 - Commitments and Contingencies

A. **Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $84,227,704 and on other purchases were $9,545,022 at June 30, 2026.

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

C. **Other Contingent Receivables** - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Endowment Pledges	$ 2,088,344

Note 18 - Related Parties

Foundations - There are four separately incorporated nonprofit foundations associated with the University. These foundations are the UNCW Student Aid Association, Inc. (Student Aid), the Foundation of the University of North Carolina at Wilmington, Inc. (Foundation), the Alumni Association of the University of North Carolina at Wilmington (Alumni), and the Friends of the University of North Carolina at Wilmington, Inc. (Friends). The University maintains a cash balance for each of the four foundations. This fiduciary relationship meets certain criteria of GASB Statement No. 84 and the cash balances and related activities are reported as custodial funds in the fiduciary fund financial statements.

Student Aid fosters and promotes the education of student athletes by obtaining donations for the scholarship program at the University. The association also raises funds for the improvement and construction of physical facilities used by the University for athletic purposes, for the University's athletic scholarship fund, and to provide operational and supplementary support for the entire sports program. In addition, the association exists to encourage a fraternal spirit of loyalty and interest in the University by alumni, friends, and benefactors. Direct support from

Student Aid totaled $3,778,163 for the year ended June 30, 2026. The University maintains a cash balance for Student Aid which was $3,616,888 as of June 30, 2026.

The Foundation assists the University by soliciting and receiving private gifts from individuals, corporations, and other organizations. These gifts support the University by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds for academic programs. In addition, the Foundation can accept and liquidate non-cash gifts for the University and acquire property on the University's behalf. The Foundation's direct support to the University totaled $339,471 for the year ended June 30, 2026. The University maintains a cash balance for the Foundation which was $594,718 as of June 30, 2026.

Alumni serves to connect and involve alumni, students, and friends in the promotion and advancement of the University. Occasionally donations are made from this association to the University. This support totaled $858 for the year ended June 30, 2026. The University maintains a cash balance for the Alumni which was $426,000 as of June 30, 2026.

Friends contributes gifts to the University based on grant requests and may at a donor's request, contribute to a University academic scholarship fund. This support totaled $19,417 for the year ended June 30, 2026. The University maintains a cash balance for Friends which was $16,136 as of June 30, 2026.

All of these foundations are self-sustaining; however, the University does support their operations through donated administrative services. The University's proprietary fund financial statements do not include the assets, liabilities, net assets, or operational transactions of the foundations, except for support from each organization to the University. Separate financial statements for these foundations may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5952, or by calling (910) 962-3139.

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Note 19 - Blended Component Units

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

Condensed Statement of Net Position
Proprietary Fund
June 30, 2026

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
ASSETS							
Current Assets	$ 368,028,745	$ -	$ -	$ -	$ 713,891	$ -	$ 368,742,636
Capital Assets, Net	885,844,735	-	-	1,929,054	1,833	(1,833)	887,773,789
Other Noncurrent Assets	364,013,605	1,777,324	-	-	-	-	365,790,929
Component Unit Receivable from Primary Government	-	-	87,393,928	639,195	-	(88,033,123)	-
Total Assets	1,617,887,085	1,777,324	87,393,928	2,568,249	715,724	(88,034,956)	1,622,307,354
TOTAL DEFERRED OUTFLOWS OF RESOURCES	107,836,200	-	3,799,226	-	-	(3,799,226)	107,836,200
LIABILITIES							
Current Liabilities	47,936,334	6	6,059,745	26,570	16,263	-	54,038,918
Long-Term Liabilities, Net	429,072,598	-	81,334,183	631,831	-	-	511,038,612
Other Noncurrent Liabilities	2,677,827	-	-	-	-	-	2,677,827
Primary Government Payable to Component Unit	88,033,123	-	-	-	-	(88,033,123)	-
Total Liabilities	567,719,882	6	87,393,928	658,401	16,263	(88,033,123)	567,755,357
TOTAL DEFERRED INFLOWS OF RESOURCES	223,282,741	-	3,799,226	-	-	(3,799,226)	223,282,741
NET POSITION							
Net Investment in Capital Assets	560,790,805	-	-	1,909,848	-	-	562,700,653
Restricted - Nonexpendable	106,363,039	999,796	-	-	-	-	107,362,835
Restricted - Expendable	235,502,682	777,522	-	-	65,621	-	236,345,825
Unrestricted	32,064,136	-	-	-	633,840	(1,833)	32,696,143
Total Net Position	$ 934,720,662	$ 1,777,318	$ -	$ 1,909,848	$ 699,461	$ (1,833)	$ 939,105,456

* The elimination net position amount of $1,833 is a result of the Research Foundation having a lower capitalization threshold than the University.

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

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
OPERATING REVENUES							
Student Tuition and Fees, Net	$ 146,652,351	$ -	$ -	$ -	$ -	$ -	$ 146,652,351
Student Financial Aid	39,848,468	-	-	-	-	-	39,848,468
Sales and Services, Net	78,011,432	-	3,836,726	20,394	265,308	(3,850,877)	78,282,983
Grants and Contracts	20,474,578	-	-	-	-	-	20,474,578
Other Operating Revenues	10,440,187	3,210	19,607	66,651	480,006	(486,840)	10,522,821
Total Operating Revenues	295,427,016	3,210	3,856,333	87,045	745,314	(4,337,717)	295,781,201
OPERATING EXPENSES							
Operating Expenses	444,731,645	88,979	19,606	66,070	710,088	(502,990)	445,113,398
Depreciation/Amortization	33,579,805	-	-	-	-	-	33,579,805
Total Operating Expenses	478,311,450	88,979	19,606	66,070	710,088	(502,990)	478,693,203
Operating Income (Loss)	(182,884,434)	(85,769)	3,836,727	20,975	35,226	(3,834,727)	(182,912,002)
NONCAPITAL SUBSIDIES							
State Appropriations	222,392,873	-	-	-	-	-	222,392,873
State Aid	2,389,459	-	-	-	-	-	2,389,459
Noncapital Contributions, Net	3,521,297	-	-	-	53,411	-	3,574,708
Total Noncapital Subsidies	228,303,629	-	-	-	53,411	-	228,357,040
Operating Income (Loss) and Noncapital Subsidies	45,419,195	(85,769)	3,836,727	20,975	88,637	(3,834,727)	45,445,038
OTHER NONOPERATING REVENUES (EXPENSES)							
Investment Income, Net	79,076,750	242,565	-	-	-	-	79,319,315
Expenses Related to Financing Related to Debt	(8,543,410)	-	(3,836,727)	(20,393)	-	3,836,727	(8,563,803)
Revenues Related to Financing other than Debt	11,116	-	-	-	-	-	11,116
Loss from the Disposal of Capital Assets	(136,311)	-	-	-	-	-	(136,311)
Capital Contributions	30,216,845	-	-	-	-	-	30,216,845
Additions to Endowments	14,745,665	-	-	-	-	-	14,745,665
Total Other Nonoperating Revenues (Expenses)	115,370,655	242,565	(3,836,727)	(20,393)	-	3,836,727	115,592,827
Increase in Net Position	160,789,850	156,796	-	582	88,637	2,000	161,037,865
NET POSITION							
Net Position, July 1, 2025	773,930,812	1,620,522	-	1,909,266	610,824	(3,833)	778,067,591
Net Position, June 30, 2026	$ 934,720,662	$ 1,777,318	$ -	$ 1,909,848	$ 699,461	$ (1,833)	$ 939,105,456

* The elimination net position amount of $1,833 is a result of the Research Foundation having a lower capitalization threshold than the University.

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

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Total
Net Cash Provided (Used) by Operating Activities	$ (212,749,513)	$ (15,992)	$ 9,097,226	$ 46,342	$ 41,139	$ (203,580,798)
Cash Provided (Used) by Noncapital Financing Activities	283,565,900	(840)	-	-	-	283,565,060
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	48,024,237	-	(9,097,226)	(46,342)	-	38,880,669
Net Cash Provided by Investing Activities	15,817,536	16,832	-	-	-	15,834,368
Net Increase in Cash and Cash Equivalents	134,658,160	-	-	-	41,139	134,699,299
Cash and Cash Equivalents, July 1, 2025	334,281,039	-	-	-	595,169	334,876,208
Cash and Cash Equivalents, June 30, 2026	$ 468,939,199	$ -	$ -	$ -	$ 636,308	$ 469,575,507

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Note 20 - Changes in Financial Accounting and Reporting

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

GASB Statement No. 103, Financial Reporting Model Improvements

GASB Statement No. 104, Disclosure of Certain Capital Assets

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

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

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Required Supplementary Information

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University of North Carolina Wilmington
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	2026	2025	2024	2023	2022
Proportionate Share Percentage of Collective Net Pension Liability	0.49789%	0.48527%	0.45589%	0.44183%	0.43833%
Proportionate Share of TSERS Collective Net Pension Liability	$ 58,544,973	$ 71,900,893	$ 76,005,903	$ 65,577,460	$ 20,525,245
Covered Payroll	$ 95,227,304	$ 88,938,234	$ 80,425,967	$ 74,947,672	$ 71,602,114
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	61.48%	80.84%	94.50%	87.50%	28.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.82%	85.35%	82.97%	84.14%	94.86%

	2021	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net Pension Liability	0.41690%	0.42137%	0.38917%	0.37310%	0.35978%
Proportionate Share of TSERS Collective Net Pension Liability	$ 50,369,845	$ 43,683,247	$ 38,746,112	$ 29,603,399	$ 33,067,499
Covered Payroll	$ 68,928,811	$ 68,173,782	$ 62,252,744	$ 57,507,190	$ 53,596,237
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	73.08%	64.08%	62.24%	51.48%	61.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%	87.32%

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

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

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University of North Carolina Wilmington
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	2026	2025	2024	2023	2022
Contractually Required Contribution	$ 16,792,203	$ 15,988,664	$ 15,689,666	$ 13,978,033	$ 12,276,429
Contributions in Relation to the Contractually Determined Contribution	16,792,203	15,988,664	15,689,666	13,978,033	12,276,429
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 97,970,845	$ 95,227,304	$ 88,938,234	$ 80,425,967	$ 74,947,672
Contributions as a Percentage of Covered Payroll	17.14%	16.79%	17.64%	17.38%	16.38%

	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 10,582,792	$ 8,940,067	$ 8,378,558	$ 6,710,846	$ 5,739,218
Contributions in Relation to the Contractually Determined Contribution	10,582,792	8,940,067	8,378,558	6,710,846	5,739,218
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 71,602,114	$ 68,928,811	$ 68,173,782	$ 62,252,744	$ 57,507,190
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%

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

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

Changes of Benefit Terms:

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

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

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

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

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

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

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

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

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

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

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

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

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

N/A - Not Applicable

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

Retiree Health Benefit Fund	2026	2025	2024	2023	2022
Proportionate Share Percentage of Collective Net OPEB Liability	0.88453%	0.88208%	0.87353%	0.84893%	0.85417%
Proportionate Share of Collective Net OPEB Liability	$ 194,414,885	$ 300,017,846	$ 232,772,119	$ 201,593,584	$ 264,070,324
Covered Payroll	$ 199,724,509	$ 187,490,597	$ 172,709,595	$ 161,743,441	$ 153,900,045
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	97.34%	160.02%	134.78%	124.64%	171.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	16.19%	9.79%	10.73%	10.58%	7.72%

	2021	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net OPEB Liability	0.82024%	0.82035%	0.74397%	0.70267%	0.77946%
Proportionate Share of Collective Net OPEB Liability	$ 227,540,712	$ 259,553,742	$ 211,944,551	$ 230,381,927	$ 339,091,594
Covered Payroll	$ 148,430,764	$ 145,968,903	$ 135,553,502	$ 124,750,663	$ 118,788,130
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	153.30%	177.81%	156.35%	184.67%	285.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%

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

Disability Income Plan of North Carolina	2026	2025	2024	2023	2022
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.95450%	0.93980%	0.91435%	0.89342%	0.85940%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (623,747)	$ (309,439)	$ 243,181	$ 265,775	$ (140,374)
Covered Payroll	$ 199,724,509	$ 187,490,597	$ 172,709,595	$ 161,743,441	$ 153,900,045
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.31%	0.17%	0.14%	0.16%	0.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	132.29%	114.99%	90.61%	90.34%	105.18%

	2021	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.84553%	0.83465%	0.78348%	0.76875%	0.72922%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (415,950)	$ (360,151)	$ (237,990)	$ (469,860)	$ (452,846)
Covered Payroll	$ 148,430,764	$ 145,968,903	$ 135,553,502	$ 124,750,663	$ 118,788,130
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.28%	0.25%	0.18%	0.38%	0.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	113.00%	108.47%	116.23%	116.06%

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

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

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

Retiree Health Benefit Fund	2026	2025	2024	2023	2022
Contractually Required Contribution	$ 15,096,356	$ 13,960,743	$ 13,386,829	$ 11,899,691	$ 10,173,662
Contributions in Relation to the Contractually Determined Contribution	15,096,356	13,960,743	13,386,829	11,899,691	10,173,662
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 205,953,017	$ 199,724,509	$ 187,490,597	$ 172,709,595	$ 161,743,441
Contributions as a Percentage of Covered Payroll	7.33%	6.99%	7.14%	6.89%	6.29%

	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 10,280,523	$ 9,603,470	$ 9,152,250	$ 8,200,987	$ 7,252,952
Contributions in Relation to the Contractually Determined Contribution	10,280,523	9,603,470	9,152,250	8,200,987	7,252,952
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 153,900,045	$ 148,430,764	$ 145,968,903	$ 135,553,502	$ 124,750,663
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%

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

Disability Income Plan of North Carolina	2026	2025	2024	2023	2022
Contractually Required Contribution	$ 144,167	$ 259,642	$ 206,240	$ 172,710	$ 145,569
Contributions in Relation to the Contractually Determined Contribution	144,167	259,642	206,240	172,710	145,569
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 205,953,017	$ 199,724,509	$ 187,490,597	$ 172,709,595	$ 161,743,441
Contributions as a Percentage of Covered Payroll	0.07%	0.13%	0.11%	0.10%	0.09%

	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 138,510	$ 148,431	$ 204,356	$ 189,775	$ 474,053
Contributions in Relation to the Contractually Determined Contribution	138,510	148,431	204,356	189,775	474,053
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 153,900,045	$ 148,430,764	$ 145,968,903	$ 135,553,502	$ 124,750,663
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%

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

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

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

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

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

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

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

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

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

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

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

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

Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2025 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 5.20%, from 3.93% as of June 30, 2024. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

For the actuarial valuation measured as of June 30, 2025 for DIPNC, the discount rate remained at 3%, unchanged from the rate as of June 30, 2024.

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

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

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

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

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

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APPENDIX D

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

APPENDIX D

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

The following is a brief summary of certain provisions of the General Indenture and the Nineteenth Series Indenture. This summary is not intended to be definitive and is qualified in its entirety by reference to the General Indenture and the Nineteenth Series Indenture for the complete terms thereof. Copies of those documents are available on request from the office of the Vice Chancellor for Business Affairs of the University.

DEFINITIONS OF CERTAIN TERMS

"*Account*" or "*Fund*" means one of the special funds or accounts created and established pursuant to 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, including Unrestricted Fund Balances shown as such on the University's financial statements, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by the University 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.

"*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 principal offices are authorized to close or (b) a day on which the New York Stock Exchange is closed.

"*Certificate*" means (i) 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 (ii) 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 Construction Fund created in and so designated by 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 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 Debt Service Fund created in and so designated by the General Indenture.

"*Depositary*" 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 depositary of monies under the General Indenture.

"Electronic Means" means the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes and passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services under the General Indenture or the Nineteenth Series Indenture.

"*Event of Default*" means any occurrence or event of default described in the General Indenture, 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 12-month period adopted as the Fiscal Year of the Board.

"Fitch" 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"* 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 May 1, 2002, between the Board and the Trustee, as amended or supplemented from time to time.

"*Interest Payment Date*" means, with respect to the 2026 Bonds, each April 1 and October 1, beginning April 1, 2027.

"*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);or

(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 United States mail, first class 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 designated by the Vice Chancellor by notice to the Trustee.

"*Nineteenth Series Indenture*" means Series Indenture, Number 19 dated as of December 1, 2026 between the Board and 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 The Bank of New York Mellon Trust Company, N. A., or any successor paying agent appointed pursuant to 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 12-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*."

"*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*."

"*Principal Installment*" means, as of any date of calculation, (i) 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 (ii) 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.

"*Record Date*" means each March 15 or September 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.

"Registrar" means The Bank of New York Mellon Trust Company, N.A., or any successor registrar appointed pursuant to the terms of the General Indenture.

"*S&P*" means Standard & Poor's Ratings Service, 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 designated by the Vice Chancellor by notice to the Trustee.

"*Series of Bonds*" or "*Series*" means any series of Bonds issued under the provisions of the General Indenture and under a Series Indenture.

"*Series Indenture*" means any indenture or other document supplementing the General Indenture, executed by the Board, 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*" means 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.

"*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 pursuant to the General Indenture amending or supplementing the General Indenture.

"*Trustee*" means The Bank of New York Mellon Trust Company, N.A., its successors and assigns, and any other person 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.

"*2026 Bonds*" means the University of North Carolina Wilmington General Revenue Bonds, Series 2026 issued under the General Indenture and the Nineteenth Series Indenture.

"*2026 Project*" means (1) the Seahawk Housing Complex as authorized by S.L. 2024-24 of the 2023 Session Laws of the North Carolina General Assembly, which includes the acquisition of Seahawk Crossing, Seahawk Landing, Seahawk Village, the East Parking Deck, and the Shops at the Crossing from the UNCW Corporation, which were financed and refinanced by UNCW Corporation with limited obligation bonds and (2) any other special obligation project of UNC Wilmington authorized by the Act and approved by the Board and the State Director of Budget.

"*University or UNCW*" means The University of North Carolina at Wilmington.

"*Vice Chancellor*" means (1) the University Vice Chancellor for Business Affairs or any successor officer performing the functions currently performed by the University Vice Chancellor for Business Affairs or (2) his or her designee.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

NO LIENS ON AVAILABLE FUNDS

The Board agrees in the General Indenture that it will not create or permit to be created any lien or charge on the Available Funds. Under the General Indenture, neither the Board nor the University will permit a lien to be placed on any University property, except in connection with the issuance of Other Indebtedness. The Board is not required to pay or cause to be discharged or make provision for any lien or charge as long as it is contesting such lien or charge in good faith by appropriate legal proceedings.

APPLICATION OF DEBT SERVICE FUND

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

Under the General Indenture, only the Trust Estate is pledged to the payment of the Bonds. The Trust Estate consists of 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, except the rebate fund, and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subject to the lien hereof, by the Board or by anyone on its behalf. The General Indenture does not convey, mortgage, pledge or create any lien on any real estate or tangible personal property owned by the Board or on any revenues of the Board or the University. The Board creates the following special funds under the General Indenture: a Debt Service Fund and a Construction Fund. The Trustee will hold the Debt Service Fund, and the University will hold the Construction Fund.

INSURANCE

The Board covenants in the General Indenture to 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 such 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 covenants in the General Indenture to 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. The Board agrees to maintain or cause to be maintained its capital facilities in good condition and to continuously operate or cause to be operated the same in an efficient manner and at a reasonable cost.

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 further furnish to any interested party any reasonably available information otherwise compiled by the University concerning the Bonds or the University's condition or operations upon (i) written request to the Vice Chancellor for Business Affairs, to The University of North Carolina at Wilmington, 601 South College Road, Wilmington, North Carolina 28403-3297, Attention: Vice Chancellor for Business Affairs and (ii) payment of duplicating costs. The Board will also 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.

EVENTS OF DEFAULT; REMEDIES OF BONDOWNERS

If any of the following events occur, it is defined and deemed an *"Event 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"* hereunder may be set forth in a Series Indenture.

The Board agreed in Series Indenture, Number 18 dated as of November 1, 2025 between the Board and the Trustee, under which the Board issued $74,550,000 in aggregate principal amount of University of North Carolina Wilmington General Revenue Bond, Series 2025 (the "*2025 Bond*"), that while the 2025 Bond is Outstanding, an Event of Default under the General Indenture shall occur on the 2025 Bond if any long-term unenhanced rating on any series of Outstanding Bonds is (1) cancelled, withdrawn or suspended by any external rating agency due to credit-related reasons or (2) reduced below "Baa3," if such Bonds or such obligations are then rated by Moody's, or "BBB-," if such Bonds or such obligations are then rated by S&P or Fitch.

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.

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; (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 herein provided, 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.

SUPPLEMENTAL INDENTURES

The General Indenture, the Nineteenth Series Indenture or any Series Indenture subsequently adopted may be amended:

(i) without the consent of the Owners, upon execution by the Trustee, if the modification or amendment is for the purpose of prescribing further limitations and restrictions contained in the General Indenture, adding covenants, agreements or limitations, or to surrender rights or privileges of the University if such surrender is not consistent with the terms of the

General Indenture, to confirm the pledge of the Trust Estate, or to make any other modification that will not, in the opinion of Bond Counsel, adversely affect the interest of the owners of the Bonds.

(ii) for any purpose with the consent of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the University; provided, however, that no modification or amendment may, without the express consent of any Owner affected, change the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Bond, or reduce the principal amount of or premium payable on any redemption of any Outstanding Bond or the rate of interest thereon; deprive the Owner of any Bond Outstanding of the lien created by the Indentures (other than as originally permitted thereby); permit a privilege or priority of any Bond over any other Bond; or reduce the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture.

If at any time the Board requests the Trustee to enter into a Supplemental Indenture, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given by mail to the Owners of the Bonds Outstanding at the address shown on the registration books maintained by the Registrar. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners. If, within 60 days (or such longer period prescribed by the Board) following the giving of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture have consented to and approved the execution thereof as herein provided, no Owner will have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Board from executing the same or from taking any action under the provisions thereof.

If any modification or amendment to the General Indenture or the Nineteenth 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 Nineteenth 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 Nineteenth Series Indenture and the General Indenture, including any amendment or supplemental indenture that adversely affects the interests of other Owners and (2) any such holder providing its consent under the Nineteenth Series Indenture 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.

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 within the meaning of, and for all purposes of, the General Indenture 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 as provided herein) 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 under the General Indenture, 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.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Parker Poe

December 2, 2026

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

The Bank of New York Mellon Trust Company, N.A.
Jacksonville, Florida

$75,875,000
University of North Carolina Wilmington
General Revenue 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 University of North Carolina Wilmington General Revenue Bonds, Series 2026 (the "*2026 Bonds*") in the aggregate principal amount of $75,875,000. 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 May 1, 2002 (the "*General Indenture*") between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), and Series Indenture, Number 19 dated as of December 1, 2026 (the "*Nineteenth 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) finance the acquisition of the Seahawk Housing Complex, which includes the acquisition of Seahawk Crossing, Seahawk Landing, Seahawk Village, the East Parking Deck, and the Shops at the Crossing from the UNCW Corporation, which were financed and refinanced by UNCW Corporation with limited obligation bonds, and (2) pay costs of issuance of 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 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 of North Carolina at Wilmington 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

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("*DTC*"), New York, 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 2026 Bonds 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 a 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.